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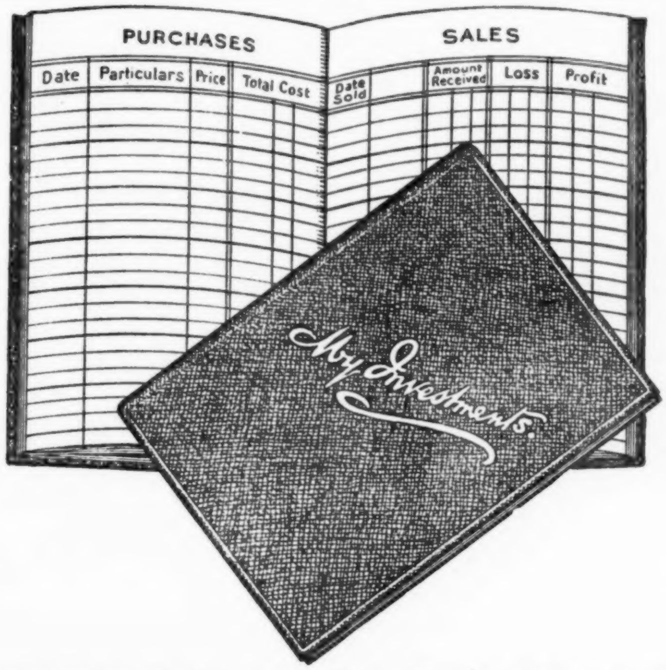

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4 Can tax relief be obtained where one company in a group of companies reimburses other companies in the group the amount of any losses incurred by them?

5 Our company has branches overseas on the profits of which tax is paid, although nothing is remitted to this country. Is this correct, for in some cases remittances are prevented by the law of the foreign country?

6 I am told my company is liable to a sur-tax direction. What does this mean? And is there any way in which I can avoid such a direction?

7 I have agreed to help my son with the eduction of my grand-children. Can I get any tax relief for any payments made?

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8 What will be the tax position if we introduce a new partner?

9 Is any tax relief available for expenditure on repairs to houses let by or occupied by me?

10 Why is it that my wife, who only has an investment income of £3 a week, pays tax at the standard rate, while her sister who has the same income from part-time teaching pays nothing?

11 After many years we have made only a small profit this year but the tax payable on January 1st next is as high as ever. Why?

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CONTENTS

Professional Notes

Moving Towards Economic Rents—

THE FIFTEEN MILLION houses and flats in this country may be classified so:

Below present Rent Acts limits (all privately owned)		Million
(1) Owner-occupied	4.65	
(2) Let unfurnished at controlled rents ..	5.70	
(3) Let furnished; let at low rents; tied cottages etc.	1.05	
		11.40
Above present Rents Acts limits or outside Acts		
(4) Privately owned	0.10	
(5) Publicly owned	3.50	
		4.60
Total dwellings in Great Britain		15.00

Only the minute part falling in the fourth class is let at economic rents, as determined by supply and demand in a free market. The policy of the Government, expressed in its cuts in housing subsidies and in the Rent Bill now before the House of Commons, is to shift towards an economic rent structure. It is hoped and expected that those occupying houses too large for their needs will thus be led, in order to save rent, to move into smaller houses; that landlords will be able to make neglected repairs; and that rents will not be so far from economic capacity to pay as they now are.

The halving of the subsidy on new council houses just over a year ago and its abolition last month, taken with the discretion given to the local authorities to reduce or abolish their own subsidies from the rates, is calculated to lift the average rents of council houses, forming the

majority of the 3.5 million dwellings in the fifth class of the table. The extent and incidence of the lifting will vary greatly, however, from one local authority to another.

The 4.65 million houses and flats in the first class will practically all be taken out of the range of rent restriction as and when let, since every tenancy (with some specific but limited exceptions) beginning at or after the coming into force of the legislation is freed from control provided the letting is not to a sitting controlled tenant.

Many of the dwellings let furnished, forming a large part of the 1.05 million in the third class, will be freed from the restrictions imposed by the Furnished Houses (Rent Control) Act, 1946, so that the rents will no longer be referable to rent tribunals.

Of the 5.70 million dwellings in the second class of the table, the rents of 0.81 million will be derestricted by the fixing of new limits above which rents will be freed of control. These limits are given by a rateable value of more than £40 in London or Scotland and of more than £30 elsewhere.

Finally, the rents of 4.25 million of the remaining 4.89 million dwellings in the second class will remain controlled until the dwellings fall vacant, but will be liable to increased rents. The following table shows the picture for England and Wales:

Present weekly rents, net of rates	*Numbers of dwellings (thousands)*
Up to 5s.	983.5
5s. to 10s.	2,062.5
10s. to 15s.	835.2
15s. to 20s.	325.4
Over 20s.	43.4
	4,250.0

Maximum increase in rents, net of rates	*Number of dwellings (thousands)*
Up to 5s.	963
5s. to 7s. 6d.	954
7s. 6d. to 10s.	1,109
10s. to 15s.	897
Over 15s.	327
	4,250

—And the Formulae

THE CEILING FOR what may be regarded as the basic rent of the 4.89 million dwellings still rent-controlled will be twice the gross rateable value if the tenant is under no liability for repairs. If he is responsible for all repairs, the appropriate multiplier or "factor" to be applied to the gross rateable value will be four-thirds. If he is responsible for some repairs only, it will be between two-thirds and four-thirds, as may be determined by the Court in default of agreement between the parties. If the landlord is responsible for or undertakes the liability for internal decorative repairs, even higher factors, as laid down in a schedule of the Bill, will be permitted.

The basic rent may be increased or decreased on account of additions to or declines in rates payable by the landlord or changes in the value of services, the use of furniture, or shared accommodation. Notice in the proper form and of at least three months in duration must be given of any increase in a controlled rent and after the expiry of the notice the maximum increase will be 7s. 6d. per week for the next six months.

The rent may also be increased by 8 per cent. of the amount of expenditure upon improvements. The "repairs increase" to which a landlord may be entitled under the Housing Repairs and Rents Act, 1954, is to be raised to two-fifths of the rent recoverable immediately before that Act came into operation on August 30, 1954, but four weeks' notice of the increase must be given. Further, such a notice of a repairs increase may not be served during a period of eight weeks after a notice of ordinary increase under the Bill, and if served within that time will be void. The repairs increase and the ordinary increase in rent are mutually exclusive.

Procedure and conditions of the repairs increase are extended to the ordinary increase. The two conditions, that the dwellinghouse is in good repair and that it is reasonably suitable for occupation having regard to the tests of fitness laid down by the Housing Repairs and Rents Act, 1954, must be fulfilled before the ordinary increase can be recovered.

The tenant will be empowered to challenge the landlord's notice of an ordinary increase in rent, on the ground that the conditions have not been complied with. He will be entitled to serve a counter-notice on the landlord specifying disrepairs that ought reasonably to be remedied; if they are not remedied, he will be able to obtain a certificate of disrepair from his local authority and the rent increase will be annulled for the period until the repairs are carried out. The landlord will be entitled to appeal to the County Court for cancellation of the certificate.

Building Society Accounts in a New Guise

IMPROVEMENTS HAVE BEEN made by the Registrar of Friendly Societies in the form of accounts of building societies (Form A.R.11). The revised form comes into operation at the end of December, 1956.

In the mortgages account, £3,000 has been substituted for £2,000 in the analysis of new advances made during the year.

The profit and loss account and the appropriation account are now combined under the name "revenue and appropriation account." Advertising, commission and agency fees were previously grouped in one item, but on the new form of accounts advertising appears as a separate item. The dates up to which income tax and profits tax have been paid or provided must now be shown, but if income tax is provided for under other liabilities or provisions in the balance sheet, the date may be deleted in the revenue and appropriation account but must be shown in the balance sheet. The period covered by interest and dividends to shareholders must now be shown; if a payment under this head requires the sanction of the annual meeting provision for it and the period should be shown separately. On the credit side appears a new item "other amounts paid by borrowers as consideration for advances," to cover premiums charged by some societies to their borrowers. It excludes all insurance premiums. Fines must now be shown as a separate item.

A new account with the name

"mortgage losses reserve account" is to cover all anticipated losses on mortgages and appears in the reserves in the balance sheet.

Societies are required to show in boxes in the balance sheet the number of shareholdings, with the aggregate of holdings that exceed £5,000, and similar figures for deposits. This information will give an indication of the funds received by the societies from limited companies and similar large investors: it is not desirable that corporate holdings should be more than a very limited part of the total shares and deposits of a society. Under other liabilities there now appear "income tax up to . . .", and "profits tax for the period ended . . ."

On the assets side of the balance sheet a box is inserted at the end of mortgages to show the balance outstanding in respect of properties for which receivers or managers have been appointed for upwards of twelve months, with details in a supporting schedule. Quoted and unquoted investments in British municipal and county securities must be shown, and cash at bank and in hand is now given as a separate item following investments.

There are two new parts in the schedule. Part IV requires particulars if any one borrower has more than one mortgage, with a total indebtedness exceeding £25,000. Part V shows particulars of mortgages on properties for which a receiver or manager has been appointed for upwards of twelve months and which are not included in Part III of the schedule.

When the Registrar of Friendly Societies sends to a building society the form required for its annual accounts, he will also send two copies, one for the information of the auditors, of a memorandum setting out the changes in the form of accounts.

Twenty-Three Ways to Infringe the Companies Act

THE RECORD OF prosecutions brought by the Board of Trade under the Companies Act, 1948, is a reminder not only of how many times the Act is infringed, but also of how many directions there are in which accountants, company officials and directors can possibly infringe it. The statistics are of prosecutions made last year and are taken from the *Companies General Annual Report* by the Board of Trade for that year (H.M. Stationery Office, price 1s. 9d. net).

Section of Companies Act, 1948	Offence	Prosecutions	Convictions
107(2)	Failure to notify Registrar of situation of registered office and of any change therein	3	3
126	Failure to file annual returns	116	91
131	Failure to hold annual general meeting	1	1
148(1)	Failure to lay a profit and loss account before company in general meeting	2	2
148(2)	Failure to lay a balance sheet before company in general meeting	1	1
158	Failure to send copy of balance sheet to every member	1	1
187	Undischarged bankrupt acting as director	6	4
200	Failure to file returns of directors and secretaries and of changes	5	5
283	Making false declaration of solvency	3	3
288, 289 & 299	Failure by liquidator to call meetings	4	3
290 & 300	Failure by liquidator to file return of final meeting	9	9
328(1) (f)	Making a material omission in statement relating to affairs of company	1	—
328(1) (o)	Wrongful disposal of property of company obtained on credit	1	1
330	Fraudulent conversion	1	—
331	Failure to keep proper books of account prior to winding-up	3	3
332	Fraudulent trading	3	2
342	Failure by voluntary liquidator to file accounts	85	73
367	Undischarged bankrupt acting as receiver or manager	1	1
370	Failure by receiver to notify his appointment on documents	1	1
372	Failure by receivers to file accounts	7	6
373	Failure by officers of company to lodge statement as to affairs with receiver	1	1
374	Failure by receivers and managers to deliver accounts to Registrar	1	—
439	Company continued to trade as limited after having been dissolved	1	1
	Total	257	212

The Census of Distribution—

A SAMPLE OF not more than a tenth of small independent retailers will be required to make returns for the next census of distribution, which will cover 1957. Forms for completion will be issued to them in January, 1958. If a trader finds it inconvenient to give figures for the calendar year 1957, he may give them for a business year ending on any date from April 6, 1957, to April 5, 1958, inclusive. Retailers with a turnover not exceeding £7,000 in the year and all hairdressers and footwear repairers will be asked only the nature of their business, their total takings during the year and the numbers of people working. Larger retailers with a turnover of more than £7,000 will be asked in addition to provide information on wages and salaries; purchases; stocks; book debts; sales analysed by groups of commodities; credit sales; and credit outstanding at the end of the year.

All the larger retailers (including department stores, multiples with 10 or more branches and co-operatives), finance houses and check traders will be required to fill in returns at the same time as the sample retailers but will receive specimen forms shortly. The information to be given by the largest retailers will include particulars of capital expenditure. Finance houses and check traders will be asked for certain figures of agreements or checks.

The census in the first to be taken mainly on a sample. There has been no other large-scale survey of distribution since the census for 1950. The results should give an up-to-date basis for measuring trends in retail sales and consumers' expenditure. It will help in compiling statistics of the distributive trades for the national income accounts. Other statistical information of value to economic diagnosis will be obtained about capital expenditure, stocks and consumers' credit.

—And of Production

MEANWHILE, THE CONCERNS that will be required to complete forms for the sample census of production to be taken next year for 1956 have already been notified.

Deferment of National Service

THE MINISTRY OF Labour and National Service is now prepared, subject to the condition set out below, to allow deferment of call-up to young men who wish to qualify as Incorporated Accountants but have left school without passing or obtaining exemption from the preliminary examination of the Society of Incorporated Accountants. The condition is that deferment to sit for the preliminary examination will be granted only to applicants who have entered employment in which, provided they pass the

examination, they will be eligible under the Society's bye-laws for admission to the professional examinations and eventually to membership.

National service would then be deferred up to the end of the academic year (July 31) in which the candidate reaches the age of 19, or up to his twentieth birthday if he left school before the end of the term in which he reached the age of 17. If within these time limits he passes or obtains exemption from the preliminary examination he may then obtain further deferment under the existing rules to proceed with his professional training.

Deferment in order to sit for an examination in general educational subjects has hitherto been available only to those remaining at school or other educational establishment. (See ACCOUNTANCY, July, 1951, page 250.)

Similar conditions apply to candidates wishing to obtain other professional qualifications.

Hospital Costing—A Code of Procedure

IT IS A relatively easy matter to agree a set of broad principles as a basis of a general plan of reform, but the backbreaking work is usually the putting of the plan into practical effect. When the scheme involves the application of a common system of departmental costing to a complex of hospitals administered by a variety of jealously independent bodies with differing ideas on administration, the preparatory work involved in its introduction is very great.

When the Ministry of Health set the seal on its approval of a system of departmental costing for hospitals by the issue of Circular HM(56)77 (see ACCOUNTANCY, November, page 433) no detailed arrangements were made with hospital authorities to secure that in the working out of the particular applications there was *consensus in idem* at the various levels concerned. Recently the Birmingham Regional Hospital Board has published *Practice Notes on the Report of the Ministry of Health Working Party*, which have been drawn up by a committee of finance officers under the chairmanship of the Regional Treasurer (Mr. F. S. Adams, A.S.A.A.). These notes are designed to provide a common approach in the region to the various problems of recording and allocation that present themselves in the evolution of cost accounts.

In the particular circumstances of the Birmingham region, because the finance officers have co-operated in a punched-card service run by the Hospital Board there since 1948, it was only a short step for them to consider the working methods to be adopted for the new arrangements for costing to start on April 1, 1957, and, indeed, the Notes were drafted before the Circular HM(56)77 was published. Nevertheless, these codified procedures are an important contribution to the slender information available on the cost accounting arrangements for the mammoth national hospital service. They are also a further indication of the hard and faithful work put by the financial officers of the service into the improvement of accounting methods since 1948, when they were faced with the rather naïve generalisations of Statutory Instrument 1414. While the practice notes are relevant to the peculiar arrangements of the Birmingham region—and, indeed, the committee has in one or two directions proposed different methods from those of the working party—they are capable of application to most other regions, for above all they have been tested in actual practice in hospitals. They are therefore likely to provide a more than useful handbook to any finance officer who has no close association with his fellows or who finds himself in a region that believes in *laissez-faire*. Mr. Adams and his associates are to be congratulated on the important contribution they have made to the literature of hospital costing by their modest but workmanlike publication.

It is also encouraging to note from the foreword that, in a service not exactly geared for adventurous thinking and still smarting from more than a fair share of brickbats thrown at it for its financial procedures, some advance consideration has been given to the application of electronic techniques to accounting methods.

Accounting *Curiosa*

THE PUBLIC RECORD OFFICE Museum, temporarily closed in 1952, has recently been reopened. Domesday Book, the draft of Magna Carta, and the Queen's Coronation Oath are exhibits of wide popular appeal, but others at present on view in Chancery Lane have a special interest for accountants.

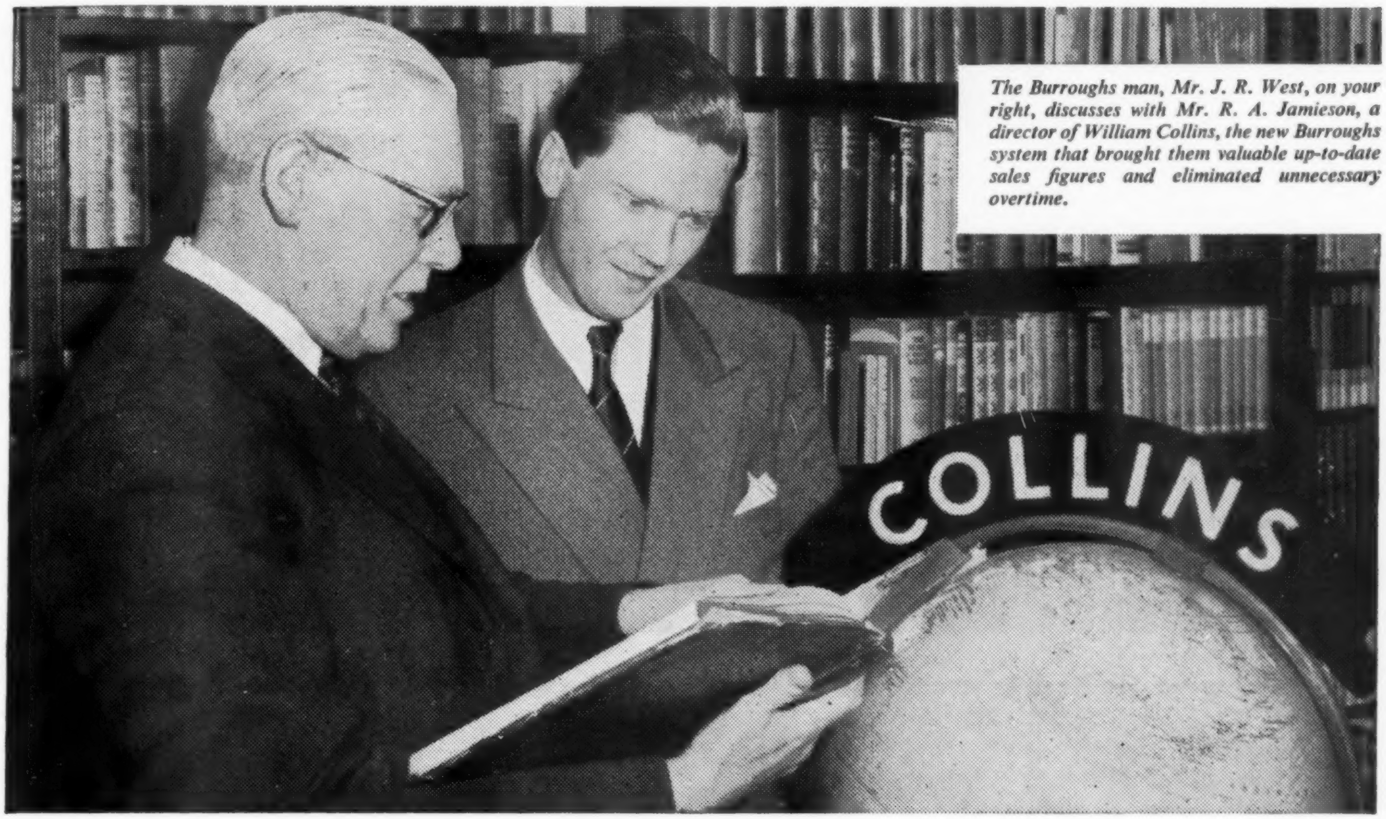
There is, for example, the record kept in 1604/5 by the Master of the King's Revels, in which are noted certain payments made for the performance of plays, including some by "Shaxberd"—a curious mis-spelling of the name of Britain's greatest dramatist. For long the authenticity of the accounts was in dispute as they had been for some years out of official custody. However, the painstaking researches of a former Deputy Keeper of the Records established definitely that they were genuine, and not nineteenth century forgeries, as had been alleged.

Another interesting account book is that kept by the philosopher John Locke, the son of a Cromwellian soldier. Locke's accounts in the Museum relate to cash expended by him in 1674/5, and afterwards refunded by the Earl of Shaftesbury, who employed the future author of the *Essay Concerning Human Understanding* as a confidential adviser.

Among the royal charters, illuminated treaties, papal bulls, letters patent, and great seals, is yet another account book—the one in which Elizabeth of York, consort of Henry VII, has very neatly and conscientiously set down her household expenses. How engaging it is to find that six yards of black velvet (for a new dress) at 9s. 8d. a yard come to 62s. 10d.—a computation proving that in matters of arithmetic even royalty may nod.

A warming document is the warrant, countersigned by Samuel Pepys, accountant and secretary, authorising an issue of Jamaica rum instead of brandy to certain ships of the Navy! Not must one overlook the faded Memorandum of Association of the Industrial Newspaper Company, a venture founded in 1865 to advance the proletarian cause, and wound up some eighteen years later. Among the

One man helped Collins the publishers to save time on the "books"



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William Collins Sons & Co. Ltd., the well-known printers, publishers, stationers, and diary publishers, sell millions of books and stationery lines every year in Britain and overseas. Management must be kept up-to-date on the position of sales. A long-standing problem, however, was that staff had to put in long hours of overtime in order to get out the required figures. Even then, details were often available too late to be useful.

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signatories — printers, shoemakers and tailors — appears the entry: "Karl Marx, doctor of philosophy." He took five shares.

The mediaeval English tallies preserved in the Museum are unique. These small notched sticks may be reckoned as among the earliest of all accounting aids. From the twelfth century onwards they served the primary purpose of receipts for money paid into the Exchequer by the County sheriffs. One of the specimens records the payment of £2,000 during the reign of Henry III to "Edward of Westminster," a prominent financier, possibly for work on Westminster Abbey. These Public Record Office tallies are, incidentally, some of the few which survived the fire of 1834, in which the great mass of them was destroyed —along with the entire Houses of Parliament.

As a further example of a "public record" may be mentioned the letter written by Raymond, son of the Count of Toulouse, to Henry III, praying him to enforce payment for three shiploads of salt. This letter is noteworthy as one of the earliest examples in Europe of the use of paper—a commodity that has played a larger role in the development of accounting techniques than is generally appreciated. The letter dates from the period 1216–1222, and the paper is made of flax.

"Nineteen has no Square Root!"

An Accountant in Monte Carlo

Mr. Nicholas Stacey writes: The moral of Graham Greene's novel *Loser Takes All* is that money does not win love and that human relations are more important than the cash nexus. A poor assistant accountant wins a fortune by gambling but is forced to give it up to win back something more important—his wife. This is a cruel choice in any situation, but when it happens to an accountant, the keeper of the purse and the conscience of double entry, the paradox lends a classical situation for exploitation. Miss Glynis Johns and Mr. Rossano Brazzi, in the film of the novel, the latest *British Lion* production just released at the Carlton, do their level best to make a larger-than-life situation convincing. But the story, not implausible in the novel, is unconvincing in the film and the moral, like much of the dialogue (so crisp and spirited in Mr. Greene's writings), is largely lost.

Mr. Brazzi, who plays the assistant accountant, gets his opportunity in defiance of the quality most cherished in "how to succeed" books—the keen edge of specialised knowledge. He unravels inexpertly and, in the film at least, very unpersuasively, a mistake of £7 15s. 4d. in the books, but while doing so he quotes Baudelaire to the head of his company. The boundaries of literature are seemingly wider than those of accounting: the big chief and the humble employee establish a "personal" relationship. The candidate for the examinations of the Society of Incorporated Accountants should read *Les Fleurs du Mal* instead of his textbook on executorship accounts or the law of liquidations! A quick invitation to the boss's yacht follows and the real imbroglio starts. Had our accountant been just another Mr. Zero—that remarkable figure in Elmer Rice's play *The Adding Machine*—he could never have made the grade. Surely, there is an object lesson here; namely, to be outstanding in any profession one must not only possess keen specialised knowledge but also general intelligence as a man of the world. These combined qualities raise Mr. Brazzi above the impersonal in his relationship with others.

The *rendezvous* on the chief's yacht is at Monte Carlo. Inevitably, Mr. Brazzi is taken into what we are led to believe is the higher flights of mathematics at the roulette tables. Here is another interesting latter-day fable showing how little novelist or script-writer knows about the functions of accountants. (And what mystical significance is there in the discovery, given that roulette tables know no decimals, that 19 has no square root? But he promises to publish an essay on his system in one of the accounting journals—so perhaps enlightenment will come!)

Overtime at the Casino and home work on the system bring the inescapable casualties—as does trudging back to one's family with documents

and accounts to examine during the evening, if indulged in consistently. The victim of excess preoccupation, in this instance, was the marriage —and Miss Glynis Johns, having been neglected, had to find solace. But she misses the heights: her alienation from her husband is transparently temporary and her romanticism unreal.

Mr. Robert Morley, as the eccentric boss of the company employing Mr. Brazzi, plays his limited part with much deftness. It is a pity that his soliloquy in the closing chapter of the book has been so clipped on the screen. In it he hectors the accountant about the real values in life, including advice on how to keep a wife. We are shown only how to get promotion to chief accountant! It does seem that the real loser in *Loser Takes All* is he who has not read the book.

Revised Town Planning Grants

THE REVISIONS IN town planning grants to local authorities make for some simplification of what must remain a complex system. It will be recalled that the main object of the grant provisions of the Town and Country Planning Act of 1954 was to discontinue for new cases the 90 per cent. grant for the early years of development, substituting a uniform grant of 50 per cent. throughout the period. The new regulations of 1956, issued under the 1954 Act, are explained in the *Explanatory Memorandum of the Revised System of Exchequer Grants to Local Authorities under the Town and Country Planning Acts, 1947 and 1954*, issued by the Ministry of Housing and Local Government.

The first simplification is a change in the commencing date for grant. The old regulations made the grant start precisely twelve months after the date of the Compulsory Purchase Order, and if land acquired by agreement was sufficient to form a redevelopment unit the commencement of the grant period was fixed by this rule. The new regulations say nothing about the starting date, but the grant is calculated on the balance of expenditure at March 31 in each year, and is payable for sixty years. If the expenditure is incurred late in the first year the local authority will gain, for it will receive a grant on its loan charges for a full year, and the adjustment will not be made until well into next century.

Another welcome improvement is the scrapping of the redevelopment capital account and prescribed land records. The account was a memorandum record designed to ascertain the quarterly balances on the account, so that loan charges could be calculated on the average balance for the year. Some confusion occurred, since it was not always apparent in which quarter certain expenditure was to be charged. And the annual compilation of these records for several redevelopment areas was a quite formidable task.

Unfortunately the Ministry thinks it necessary to continue the practice of apportioning the expenditure according to changes in the rates charged on loans by the Public Works Loan Commissioners. In the last five years there have been no fewer than ten changes—there were four last year and so far there have been three this year. All this means much figure work, which would be avoided if the Ministry laid down an average rate for each year of grant.

Much form-filling remains, but it has been reduced by the bringing together of various types of claim on one form. When redevelopment has been completed and the net expenditure is known a schedule is not now required, the amount being entered directly on the summary. On Schedule B (land for open spaces) provision is made for the calculation of the "high rates" grant, and for the inclusion of land appropriated for open spaces from a redevelopment area.

It should not be overlooked that on and after April 1, 1955, expenditure on preliminary development, in addition to that on site clearance, may be included in claims. Appendix D to the explanatory memorandum defines "preliminary development" — its most important components are the construction or improvement of estate roads or sewers, street lighting, and drainage. No expenditure on roads and sewers in connection with "subsidy housing development" ranks for grant.

An "Audit" without Auditors

THE ANNUAL RETURN for 1954 of the Associated Society of Locomotive Engineers and Firemen, a trade union with 69,000 members and assets of some £1.4 million, included an item "defalcations written-off as irrecoverable, £10,018." The return was signed by three auditors described as engine drivers and a timekeeper. They were appointed under a rule of the union providing that the auditors should be three members of the union employed by a railway undertaking.

A deficiency was discovered after the cashier of the union had committed suicide. A firm of accountants was asked to investigate and reported that in its opinion the defalcation had passed undetected only because the lay auditors had failed to make essential checks. No attempt had been made to reconcile the total of amounts banked by branches with the amount in the head office bank account at any given time. The lay auditors had accepted the postings in the books of original entry without properly testing whether the entries were correct. The entries in the cash book had not been compared with the bank statements—in fact, the statements had not been looked at. The cash in hand had not been checked at any stage and what purported in the cash book to be the cash in hand was such a large sum that it was clearly incorrect. The professional accountants concluded that the failure of the lay auditors to conduct a proper audit lay in their lack of qualifications for the work.

The lesson of this dismal story, related in Part 4 of the Report of the Registrar of Friendly Societies for 1955, is self-evident. It is an anachronism for any trade union or similar body, least of all a large one, to allow, far from stipulating in its rules, that the auditors should be other than professionally qualified. If unions and voluntary societies do not protect their members by promptly making reforms on the point, then the law should see that they are made to do so. In his report the Registrar

pertinently remarks that the law requires a professional audit for the accounts of most registered friendly societies with more than 500 members or more than £5,000 in funds: he leaves the obvious inference to be drawn.

"Rationalisation" in the Grocery Trade

SEVEN WHOLESALE GROCERS have formed a company, with the name of Spar (Britain) Ltd., to "rationalise" supplies to retail grocers. A retailer joining in the scheme will agree to buy the greater part of his groceries from participating wholesalers. In return, he will receive the benefit of economies that the wholesalers expect to achieve. He will be asked to accept some control over his selling methods, and the company hopes eventually to help with the modernisation of shops and conversion to self-service. The retailer should be able to carry smaller stocks and to release some of his capital for other improvements. There will be about 40 wholesale members of the company and some competing wholesalers will perhaps organise themselves into similar companies.

It is apparently also contemplated that the company will give assistance to retailers in their accounting—this seems to us an unnecessary elaboration on what is otherwise a welcome enterprise. Retail grocers can already obtain all the accounting assistance they need from practising members of the profession and we do not think that the new company will be able to provide accounting services more economically or with the same professional safeguards. The sponsors would do well to drop this part of their scheme.

Shorter Notes

Taxation Research in South Africa

The incidence and the sociological and economical effects of existing or proposed taxes will be investigated by the South African Research Foundation. This new body is sponsored by the South African Association of Chambers of Commerce, but is to be entirely independent.

Standards for H.P. Business

The Queen's speech last month announced that a Bill was to be introduced this session to control hire purchase. City gossip is that the model of building society legislation might be followed. A Registrar for companies extending hire purchase finance would be appointed to keep in touch with the activities of the companies and to receive returns and accounts from them. It might further be laid down that advertisements for deposits should contain stipulated information about the financial position of companies. Some people forecast that the legislation will fix minimum liquidity ratios and minimum capital and reserves.

Capital Grants in Northern Ireland

A Bill before the Parliament of Northern Ireland seeks to extend for five years the Act of 1954 which authorised expenditure of £5 million on capital grants to industry. The Bill will provide a further £10 million, to be spent in grants of 25 per cent. of the cost of new industrial buildings and new or secondhand plant and machinery installed in Northern Ireland. Larger schemes can receive capital assistance under the wider provisions of the Industries Development Act.

The American Institute of Accountants

Mr. Marquis G. Eaton, C.P.A., is the new President of the American Institute of Accountants. Mr. Eaton is a partner of Eaton and Huddle of San Antonio, Texas, and was previously associated with accounting firms in Oklahoma City.

Research Scholarships in Management Accounting

The Leverhulme Trust has awarded two research scholarships in management accounting. Mr. Christopher Bostock, M.A., A.C.A., is to do research on the scope and method of application of management accounting to small businesses and the benefits to be derived by the managers. Mr. Leonard Hardy, A.A.C.C.A., F.C.W.A., will conduct researches on financial forecasting and planning, with reference to the development and marketing of new consumer products; and the financial planning and control of the costs of sales, distribution, advertising and marketing. Each scholarship is for £2,000 for one year.

Registering Trade Agreements

A *Guide to the Registration of Agreements*, prepared by the Registrar of Restrictive Trading Agreements, is issued by H.M. Stationery Office, at 1s. net. For the benefit of those required to furnish particulars of agreements rather than the general reader, the booklet explains what kinds of agreements are registrable, what documents must be sent to the Registrar, and the position of trade associations under the Restrictive Trade Practices Act. Particulars of agreements of the classes so far "called up" (see ACCOUNTANCY for September, 1956, pages 345–6) have to be furnished before February 28, 1957.

New President of Chartered Institute of Secretaries

We have pleasure in congratulating Sir Frederick Alban, C.B.E., F.S.A.A., F.C.I.S., on being elected President of the Chartered Institute of Secretaries for the coming year. Sir Frederick is a past President of the Society of Incorporated Accountants and a member of its Council.

Wages by Notes Only

Lysaghts, the steelmakers of Scunthorpe, are saving time and expense by paying weekly wages to the nearest 10s. above the exact sum due. In each week an adjustment is made to provide for the over-payment in the previous week. In addition to the gains in the pay office from dispensing with the use of coins there is a saving of the charges previously made by the bank for providing the required amounts of the coins.

Meeting British Railways Deficits

Advances to meet deficits on revenue account by British Railways up to £250 million in the years to 1962 may be made out of the Consolidated Fund, under the Transport (Railway Finances) Bill now before Parliament. Since there is provision for repayment, the Government maintains that the advances are not subsidies.

National Insurance—Late Contributions

Late contributions for National Insurance are the subject of two draft Statutory Instruments—the National Insurance (Contributions) Amendment Regulations, 1956, and the National Insurance (Residence and Persons Abroad) Amendment Regulations, 1956, obtainable from Her Majesty's Stationery Office, at 4d. each. Their effect is that, in ordinary cases, contributions by self-employed and non-employed persons may count for retirement pension, widow's benefit or death grant if paid within six years from the end of the contribution year in which they were due.

EDITORIAL

The Unendorsed Cheque

TWO years ago Mr. Graham Page, M.P., drafted a Private Member's Bill to dispense with endorsements on most order cheques. The Bill, read in the House of Commons only once, died when a committee to consider the whole problem of cheque endorsements was appointed by the Chancellor of the Exchequer. The committee has now reported (Report of the Committee on Cheque Endorsements, Command Paper 3, H.M. Stationery Office, price 1s. 3d. net). Although the legislation proposed by the committee would take a rather different approach from that of Mr. Page's Bill, almost identical ends are recommended.

One alternative is the wider use of bearer cheques, which do not need endorsement and which, if crossed "not negotiable" and still more if the crossing also carries the words "account payee only", afford all reasonable protection to the drawer. This alternative the committee rejects on the ground "that a virtually complete transition to the use of bearer cheques could not at best be expected for a long time and that the benefit in reduction of work would not be noticeable in the meantime." Perhaps the committee is rather too pessimistic about the pace at which the bearer cheque could displace the order cheque, in business if not in private life. If books of crossed bearer cheques were printed with the markings "not negotiable" and "account payee only," as suggested by one unnamed witness (in fact, the representative of the Society of Incorporated Accountants), their use would be facilitated. The committee, however, goes no further than to agree "that there might be considerable scope for informing the banking public further" on the use of bearer cheques.

The giving of receipts on the backs of cheques would inevitably become much less widespread once order cheques could be accepted unendorsed. The committee secured the assent of the banks to a proposal that they should continue, by arrangement with individual customers "in suitable cases," to examine receipts on cheques and to refuse any cheques that had receipt forms unsigned (cheques with receipt forms being distinguished by a capital "R" on the front). Clearly, however, the use of the "R" cheque would not be acceptable to the banks on anything like the scale on which the receipted cheque is now employed. Our feeling is that most accountants *qua* auditors would have no strong feelings if there were a decline in the use of receipted cheques, but *qua* company executives many would lament their passing. As for the proposal of the committee to make the unendorsed cheque itself legal evidence of receipt, many auditors would, we think, be somewhat reluctant to rely upon the cheque alone and would for some time at least insist upon a separate receipt as well.

The method recommended for making the change is legislation in a new Bills of Exchange Act to the effect that no endorsement of a cheque shall be required if the payee is the customer on whose behalf the cheque is received for collection and to whose account it is to be credited. The fact that endorsement would specifically be dispensed with only if payee and customer were identical implies that a bank would accept an unendorsed cheque for collection only if it was entirely satisfied of the customer's claim. There may here be something of a safeguard for the auditor. For if a payee could pay into his bank a cheque made out in a name other than his exact name only after signing on the reverse in the inexact name (that is, endorsing the cheque, as at present) then where the variation in names existed—the circumstances in which the auditor has to be most on guard—he would still have the endorsement and would be in no worse position than he is at present. But the safeguard may be largely illusory. For the committee remarks that normally a bank would have no doubt about its customer's claim, even if there were a variation in the names, and would accept the cheque unendorsed. Everything turns on how freely the banks would in practice accept variations in the names without insisting on endorsements—so the doubt remains.

A suggestion put to the committee by the Institute of Chartered Accountants in England and Wales would not only have overcome the doubt, but would have put the auditor in a stronger position than he is now in. The suggestion was that a payee should be allowed to pay into his bank an unendorsed cheque when there was a variation in names only if he first wrote or stamped his true name on it. The drawer's auditor would then know the exact name of the customer to whose account the cheque had been credited—more than he knows even when he has an endorsement. Unfortunately, the committee turns down this suggestion, on the grounds that it would cut the saving in labour from dispensing with endorsements and that the proposed reform of the law would remove the need for endorsement only when payee and customer are identical. But on the second of these counts, as we have already indicated, the committee in another part of its report says that banks will normally accept unendorsed cheques when there are variations in the names. If the banks would indeed fairly freely accept unendorsed cheques with such variations, then the second reason for rejecting the suggestion of the Institute is not a sound one. If, on the other hand, the banks would not freely accept these cheques, then they would have to be endorsed and the saving of labour would be cut anyway, so that the writing or stamping of the payee's true name on the cheque would have involved no additional labour, and the first of the reasons for rejecting the suggestion is unsound.

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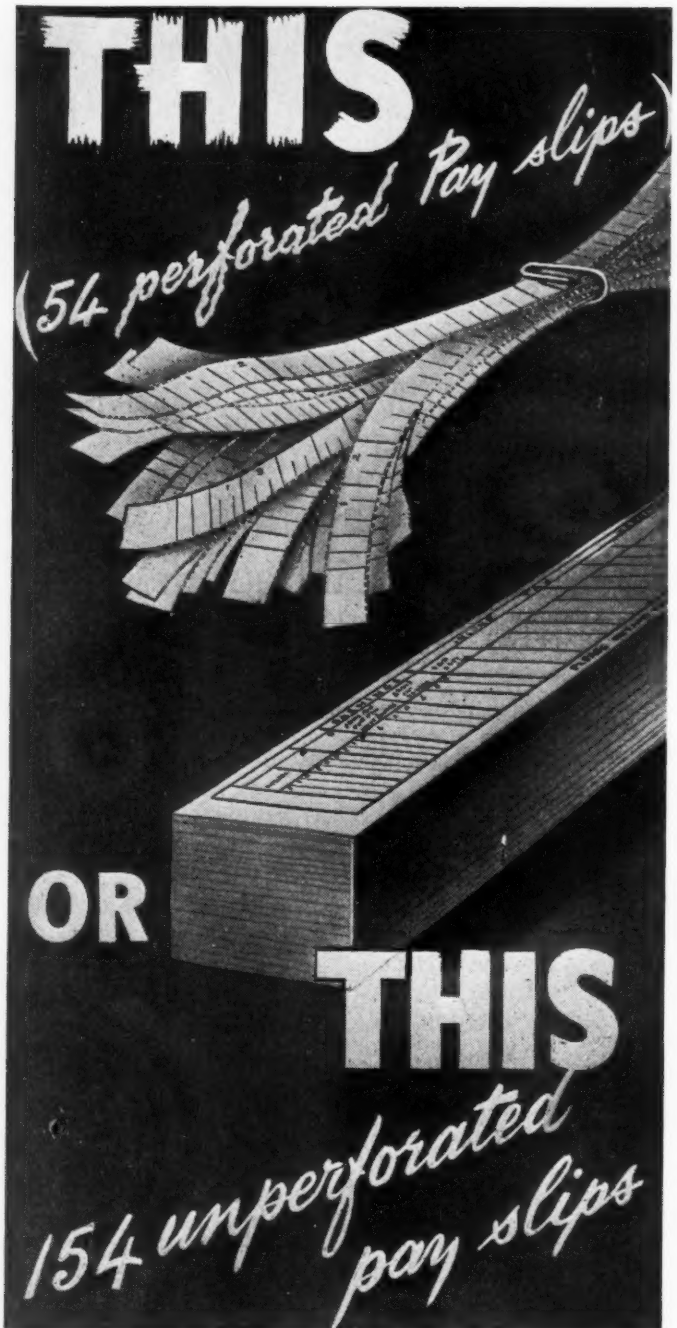

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Some 650 people attended the National Management Conference recently held at Harrogate by the British Institute of Management. The theme was "Management—Profits—Living Standards." A majority of the papers, and those that aroused most interest, were on accounting or near-accounting topics. We present summaries of these papers.

The Financial Side of Management

The Impact of Budgets on Management

MR. D. H. SMITH, Chief Accountant and local Director of Reckitt and Colman Ltd., Norwich section, said that his researches into the history of budgetary control had carried him back to ancient Egypt. Pharaoh had quite an effective system, and Joseph, as the first controller, took very definite action on the budget forecast by instituting a seven-year stock-piling programme.

When budgetary control was first considered in his own company, over twenty years ago, no standard system could be discovered from the text-books or from the systems installed by other companies. People in those days were pioneers: the methods now in use emerged only gradually from their discoveries. An important point that was not apparent in those days was that the figures needed for the control could be prepared in the ordinary process of accounting.

Doubts and misgivings centred on the question what use could be made of the information when it had been obtained.

At last it was decided to conduct an experiment by finding out everything possible about the operations of one department. For six months forecasts were continually measured against performance, and weekly meetings were held of director, manager, accountant, cost accountant, and all concerned. The control worked: it was proved that the prompt information did call for action. It also appeared that there would be an enormous demand for more accountants—but their methods were laborious and very different from those in use at the present time.

That experiment was ended by the war, but much had been learned from it. During the war the practice was established of meetings of managers to discuss the available accounting information and to invite suggestions for its improvement.

When the time came to install a system it was decided to engage a firm of consultants. This course had many advantages. Installing budgetary control and standard costs was a full-time job. It took the consultants sixteen months to install the system, with considerable help from the cost accountant of the company, and no one could guess how long it would have taken without consultants. Problems arising were largely standard: they would be new to the individual accountant, but the consultants would have met them before. One great advantage that was not realised in advance was that the consultant was the most appropriate person to train the staff in the new system. Training was necessary for managers, supervisors and clerks, and was received by over 200 employees. Psychologically, it was more effective for this instruction to come from outside rather than from within the organisation: the same principle applied to all grades, and it was appreciated that when variances were thrown up the object was not to catch anybody out.

Mr. Smith warned accountants that they were vulnerable when budgetary control was installed. Hitherto they had been like recording angels; but a manager in pursuit of variances sometimes traced them to the accountant as errors in recording. The consultants had proclaimed that it was better to have information promptly and 90 per cent. accurate than to have it 100 per cent. accurate three months late. In the early days there was danger that the staff would cash in on that 10 per cent. tolerance for error.

The most stimulating impact of budgetary control for the accountant was the constant contact with production managers and frequent calls for new investigations. It was much more fun than merely recording past history.

A surprise feature after a few months' experience in his company was that the cleanliness of the works had suffered. When labour variances were thrown up, it had been decided that if a manager had temporary spare labour he would not be charged with it if he reported it to the employment office. This was a wonderful help in

utilising the spare labour, but it meant that the men concerned were no longer used as before in cleaning work in their own department during breakdowns and at other odd times. A compromise solution was found.

Efficiency rates suffered from the considerable number of workers with some disability. It was agreed that departments should be charged for them only at their effective rate, and the balance, stated in money terms, was collected in the general account. This was an example of the way in which budgetary control spot-lighted the cost of many things that were already known to management in general terms.

When a group of responsible people met regularly for the express purpose of examining activities and making comparisons with budget, action did result.

Inter-Firm Comparisons of Financial Ratios

The paper by Mr. E. H. Davison, A.C.A., Chief Accountant of Courtaulds Ltd., was an introduction to the report of the committee on accounting ratios, set up at the instance of the British Institute of Management under the chairmanship of Professor F. Sewell Bray, F.C.A., F.S.A.A., Stamp-Martin Professor of Accounting. The report was published in full in ACCOUNTANCY for July, 1956, pages 267–271.

Mr. Davison said he spoke as a member of the committee, but there was so much scope for divergence of views on the subject that he could not claim to speak for the committee as a whole.

The review of financial ratios was undertaken in order to provide some criterion for the measurement of success and efficiency in small and medium-sized businesses. Standard costs and budgets were invaluable means of providing internal standards, but they left unanswered questions on the validity of those standards and on ideal relationships between production costs, income and investment. The larger company could often supply these deficiencies by comparisons among its various factories and branches; but medium-sized and small concerns could judge their success only by their ability to meet competition, with no clear indication of the reasons for success or failure.

The subject of the report was not new. But it was a new attempt to rationalise the consideration of financial ratios by classifying them and by indicating the lines upon which they could be used.

To achieve comparability, some suggestions had been made which might be considered revolutionary; some amounted to a re-definition of accounting terms. Thus capital was regarded in the physical rather than the financial sense, and current costs were adopted rather than historical figures.

Every business, large or small, would gain valuable information from a study of ratios relating to other businesses in the same industry.

Apart from the work involved, two difficulties arose in compiling the figures. The reluctance of management to look at accounting figures was diminishing, even in small businesses. The second problem was the reluctance to provide figures for the use of others, largely from the fear that confidential information might reach other parties, particularly competitors. Trade associations must take the initial steps in persuading managements that information could be safely disclosed to themselves or to independent accountants or consultants.

Simplicity was emphasised by the committee. Demands for information from small businesses must not be complex and onerous. Too many figures and too many ratios were positively injurious. Accounting ratios were pointers to the direction in which improvement might lie, not indicators of its precise measure.

Inter-firm comparison was firmly established in many parts of the world, especially in the United States, Switzerland and Germany, and its adoption here was urgent.

Cash Resources in the Small Business

Mr. R. Warwick Dobson, C.A., F.C.W.A., Group Financial Controller of B. Elliott & Co. Ltd., referred to the small businessman's habit of looking every morning at the amount of cash received with that morning's post and at his bank balance, and deciding in the light of those two pieces of information what machinery or equipment to buy or which of his creditors to satisfy. The definition of cash resources was adequate, but not the method of control.

It was essential to plan and control all the things for which cash was required and all the sources from which cash was obtained—not just at difficult periods, but at all times.

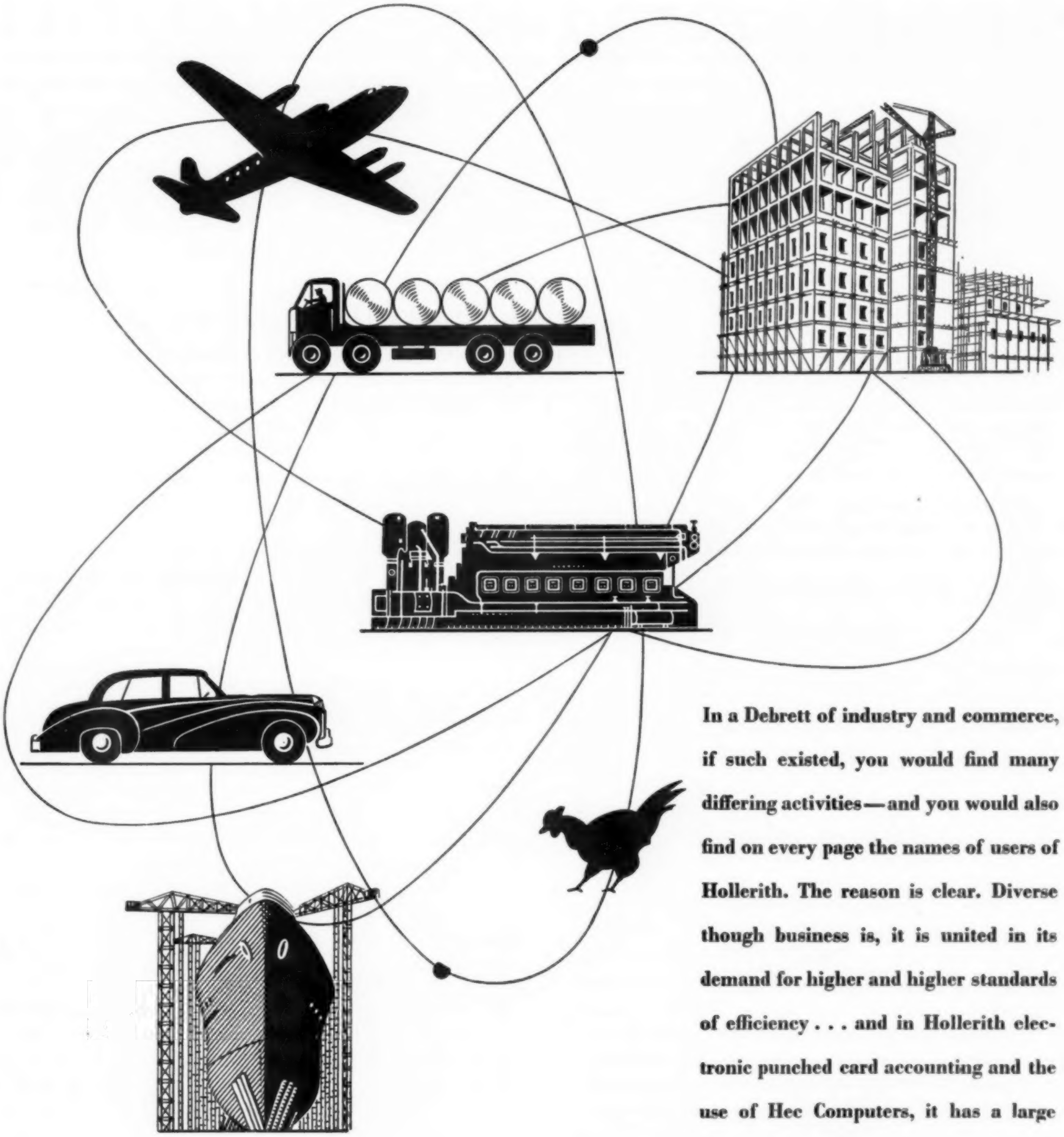
A recent investiagtion by the British Institute of Management into the methods used by ninety small businesses had proved that lasting benefits were reaped by those which consciously planned their financial resources, and that small businesses could successfully do so by using the same methods as larger undertakings.

Much care was needed in planning for fixed assets. Mistakes were expensive to rectify, and if not rectified they led to excessive running costs or inefficient working. Stocks of current assets normally received less attention, but their control would well repay the time and calculations that would be required. Management must formulate a policy for giving credit and for payment of debts. Every one in the organisation who had any responsibility must contribute to the conservation of cash resources.

In most small businesses, the cashier and ledger clerks balanced the money records to a penny, but no control was exercised over stores in which a relatively large proportion of the cash resources was locked up. Managements must consider whether their perspective was right in this: they would find it worth while to exercise some physical control of all assets.

To ascertain in which way money could be used most economically would take time and often required specialist knowledge, but it was nevertheless rewarding. An important aid to the efficient use of money would be to increase its turnover by shortening the time cycle from acquisition of goods to sale and receipt of payment.

Monthly financial statements were essential, and their preparation was dependent on the existence of stock



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records. Useful information could be incorporated, such as the periods for payment of debts and the value of slow-moving stocks. Budgets, standards and ratios were valuable for comparison.

The small business should open separate bank accounts for such items as capital expenditure, taxation and dividends.

The Cost of Labour Turnover

Turnover in the manufacturing industries is in the region of 41 per cent. per annum, according to the calculations of Mr. R. L. Webster, Chief Personnel Officer of Hoover Ltd. For men he estimated the figure as 35 per cent. and for women 54 per cent. A pilot investigation into the cost of labour turnover had recently been carried out, under arrangements made by the Board of Trade, by a committee of the British Institute of Management, the Institute of Cost and Works Accountants and the Institute of Personnel Management. The full report would be published shortly; meanwhile, Mr. Webster's paper discussed the methods used and disclosed some of the results.

The costs investigated were classified as:

1. *Variable costs.* Advertising for new labour; ineffective learning time and scrap; overtime and redeployment necessitated by shortage of labour resulting from excessive turnover; extra labour employed by building up a pool to cover emergencies.
2. *Fixed costs.* Part of the cost of the personnel department and of the medical department; training school costs and salaries of instructors.
3. *Lost sales.* Loss of profits where output was lost through labour turnover.

Mr. Webster observed that many costs had been ignored, particularly intangible ones such as loss of morale and the effect on the reputation of the company. There was also overhead loss. But it was thought more effective to bring to the attention of management the cost as revealed under the headings used than to make vague references to intangible costs.

The study covered sixteen concerns, and the figures varied widely. The total cost per employee—which Mr. Webster considered the most realistic index—varied from 5s. to £43 for the period of three months. Seven of the sixteen companies were adding 10s. or more per week to the wage cost per individual as a result of labour turnover.

No conclusion could be drawn on the cost in industry as a whole. But the concerns covered were among those already doing something to reduce turnover. If the results were considered representative, labour turnover was costing the country about £230 million a year for manufacturing industry—perhaps £700 million a year for all employed persons. Even on the assumption that half the turnover was avoidable, the cost in economic and social terms was staggering.

Improvement might be possible by changed methods of recruitment and instruction, or by engaging a qualified training officer. Even if money saved on production losses from labour turnover were offset by increased overhead expenditure on personnel, medical and training departments, the report suggested that action on those lines would be worth while. Sales losses might lead to loss of potential customers and of goodwill, with far-reaching effects on the prosperity of the company.

The report had shortcomings, being based only on a pilot study of sixteen concerns for three months. Experience showed that only the best firms would co-operate in a study of that kind; but few even of those taking part had accurate costs of certain items. The pilot survey might lead to an attempt to establish standards of cost and turnover.

Business Finance from the Banks

Mr. F. S. Bedford, Assistant General Manager of Barclays Bank Ltd., spoke of the traditional conservatism of the British banking system. The banker's prime function was to take care of the money of his customers. The London clearing banks had deposits totalling over £6,000 million, of which two-thirds was on current account, and the remainder was repayable in seven days. Banks worked for profit, but the duty of repayment, and the need to protect their capacity to fulfil it, must govern their policy.

Advances must therefore be short-term, and bankers could not be called upon to supply risk capital for industry. If they did so, the available bank finance would be committed as fixed capital in old and established industry and would cease to circulate, to the detriment of trading capital for new industries. As it was, the banks retained their liquidity and industry its independence. This principle was not always understood by would-be borrowers, who were often indignant when refused bank finance for long-term needs.

Near to the theoretical ideal were transit finance for exports, seasonal finance for agriculture and seasonal trades, and finance for work-in-progress for builders and constructional engineers, instances where the operations produced a circulation of the assets financed and so bred the money for repayment.

In assessing the safety of an advance bankers placed increasing reliance on the audited accounts of the borrower, and less on what was euphemistically called security. The balance sheet gave a full picture of a trader's position. Mr. Bedford urged members of his audience, if they sought accommodation from a banker, to offer their accounts: nothing was more conducive to the trust that was the best basis of banking relations.

In the balance sheet, the banker would look first for the effective capital staked by the proprietors of the business. If part of this was loan capital, he would seek to ensure that it was fixed in the business as long as the bank lending was to continue. A fair "liquid margin" of current assets over current liabilities showed that the bank loan was to augment, not to provide the whole of, working capital. He would hope to see in the profit and loss account a margin large enough to pay all outgoings and to aim at replacing the bank borrowing by ploughed-in profits.

The one recent development of note in the banking

scene was the policy of credit restriction imposed by the Government. In addition to the rigorous application of certain tests before an advance was made, the banks were now required to limit the total amount lent by them. This had been a sharp reminder of the unwisdom of relying too continuously on a short-term lender. Whether credit restriction had had its desired effect was a debatable question, but Mr. Bedford's own view was that the benefits outweighed the disadvantages.

For the future, there were some suggestions that bankers should meet the needs of a more complex industry by some provision of risk capital, even if only as a temporary measure. Some critics complained that banks did not provide medium-term credit needed by exporters, but probably they did not realise how much was already being done. Germany and some other countries had bought their way into post-war markets by the length of credit offered, but more restraint was now shown.

The present financial malaise was largely due to the tug-of-war between the need for saving and the many inducements for individuals to spend.

Developing the Industrial Accountant

The word "developing" in the title of his paper was more appropriate to what was needed than the alternative "training," said Mr. W. R. Spencer, Director of Urwick, Orr & Partners Ltd. Accountants were usually highly trained in the technique of accounting; their main need was to acquire a new outlook.

The accountant's major contribution to the business should be as a member of the management team. As such, he would interpret in simple financial terms the alternative long-term plans under discussion. In addition, his own views on policy would be sought by his colleagues: he would be a businessman as well as an accountant.

The accountant would design control reports appropriate for each executive and supervisor at every level, and he would explain the accounts in simple language. He would see that the cost of providing information was economic in relation to its value.

Management by standard must prevail in every section, and the accountant should give guidance in the calculation of standards. Where no standards existed or where they were inadequate, he should persuade his colleagues to introduce or improve them.

He should experiment with various combinations of figures to find significant relationships. From time to time he should examine the net profitability of each area or group of products.

Mr. Spencer suggested that the realisation of this conception of the industrial accountant was hindered by the common view of accountants as "desiccated calculating machines," by their lack of training in management and by their unfamiliarity with conditions in the factory and the sales field.

There was an urgent need to take action that would be effective in the next five to ten years. Businesses must be sure they had selected a suitable accountant, and must then provide the conditions for his development. He must be released for the study of management principles and practice, preferably at a residential management course, for two or three months, and then spend a similar period gaining knowledge of the various departments of the factory and selling field. On return to his own department he must not become engulfed in detailed work.

Mr. Spencer's long-term suggestions comprised two alternatives. Industry might set up an industrial accounting qualification, requiring experience followed by examination in accounting technique and in management and human relations, with compulsory attendance at management courses.

The second alternative would be for the professional accountancy bodies to have two types of final examination, one as at present, the other specially adapted for those who intended to become industrial accountants. He considered that this group could dispense with much of the present professional examination syllabus—and over 60 per cent. of the members of the two largest accountancy bodies were working outside the profession. The existing syllabus and period of training were too long to make it reasonable to solve the problem by adding to them. But the accountancy profession had built up a reputation for probity and a high standard of ethics: that professional outlook was needed in management.

Recruiting for the Board-Room

Mr. Miles Beevor, Deputy Chairman and Joint Managing Director of The Brush Group Ltd., and a member of the Council of the British Institute of Management, gave general support to the practice of his own company in having approximately equal numbers of full-time and part-time directors. But he felt that it would be dangerous to prescribe any fixed proportion in all circumstances. The first essential was that the Board must be an efficient team.

The advantages of outside directors were stated in a discussion at the European Management Conference organised by the British Institute of Management in 1954. It was agreed that they offered contact with the outside world, local knowledge, and information on the practices of other concerns and on customer reactions; that they provided a useful check on the natural optimism of full-time directors, particularly in spending matters; and that specialists such as lawyers, accountants and engineers contributed valuable advice. Mr. Beevor, however, felt that the solicitor or accountant should not automatically have a seat on the Board. Legal and financial experience was valuable, but outside directors should be selected not for professional qualifications but for their personality, business experience and general knowledge of affairs. He approved the current tendency to choose men of integrity and experience and to avoid the appointment of "guinea pigs."

In the appointment of full-time executives to the Board, Mr. Beevor considered that not only the managing director but all chief departmental executives should be regarded as eligible. But no executive should be appointed unless he had breadth of vision and was ready to serve industry and the community as a whole. It would be

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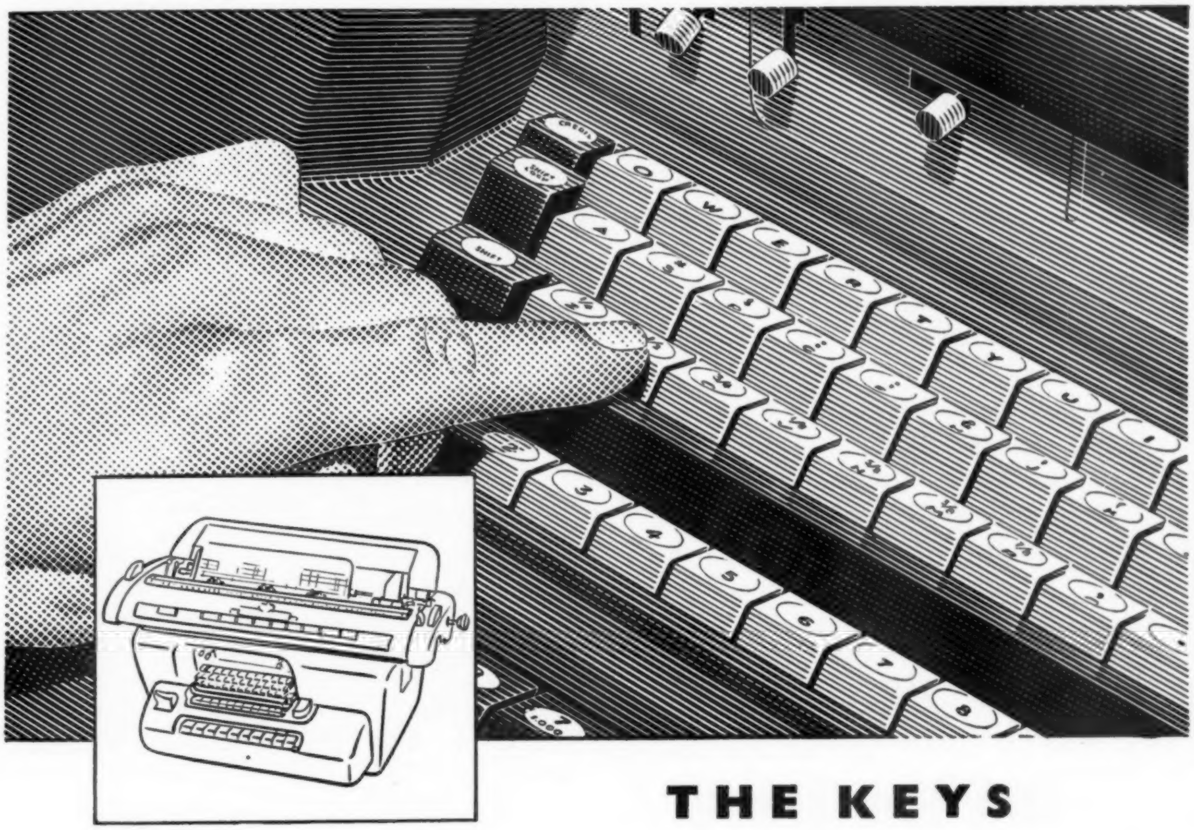

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good for morale throughout the organisation if a company was known to be willing to promote its most able employees to the Board. The main difficulty in electing executive directors might be to know where to stop.

A Board appointment, once made, was difficult to cancel. It was therefore desirable to give promising employees previous experience of the type of work involved. This might be done by appointments to the Boards of subsidiary companies; by the creation of a junior Board for the preliminary discussion of problems before they were decided by the main Board; or by appointing alternate directors. A preferable method might be to appoint the candidates as "Board-room officers," to attend Board meetings and be given opportunities to report and express views on particular problems.

The age balance of the Board was an important factor. Few directors were appointed purely as a result of their own achievements before the age of 40, but present scientific progress might well bring experts to the front at an earlier age. A fair average age for a Board was about 55.

Financial Information for Employees

An investigation by the British Institute of Management into the disclosure of financial information to employees was the subject of a paper by Mr. H. Weston Howard, C.B.E., Chairman of Hayward-Tyler & Co. Ltd. The investigation was under the guidance of a steering committee composed of representatives of the Stamp-Martin Chair of Accounting, the Association of Certified and Corporate Accountants, the British Institute of Management, the Institute of Cost and Works Accountants, and the Institute of Personnel Management. Its report will be published in January, 1957, by the British Institute of Management at the price of 21s. (cloth) or 15s. (paper). Mr. Howard's company was one of seven whose practices were investigated.

It was found that the number of companies in this country giving financial information to employees was probably less than 20 per cent., but the percentage was increasing. Managements that gave information were classified as in two groups, those doing so as a concession in the vague hope that output might increase and those holding that every member of an organisation had a title to be kept aware of what was going on. Mr. Howard felt that the first group would be better advised not to embark half-heartedly on a policy of disclosure: their policy held seeds of suspicion and distrust and was likely to do harm rather than good.

The information disclosed was mostly concentrated on the annual report and accounts. Items that companies would not reveal were individual salaries and directors' fees, volume of sales, and cost and profit figures for particular departments, products or factories.

Employees generally were found to be interested in financial information. But senior staff did not appear to have an outstandingly better grasp of company affairs than the average employee. That startling conclusion was confirmed by Mr. Howard's experience at the Administrative Staff College, Henley. It was astonishing how few of the senior executives or bank officers he had met there had any idea of how to read a balance sheet or of the use of figures.

Most of the managements giving financial information to employees considered that the effort was well worth while, and morale was high. The giving of information by itself would not create good morale, but where other circumstances were right it established an atmosphere of trust and confidence. The most usual methods were publication in the works magazine; the annual report specially adapted; talks to consultative committees or to special meetings of all employees; and personal contact through supervisors. The type of information given was mostly that contained in the annual report and accounts, and the most popular device was the analysis of each £1 of sales. Many companies gave information about trade prospects and the industry in general. Very few gave special information to senior employees.

In many European countries and in a degree in the United States the giving of financial information to employees was compulsory by law.

General facts were remembered better than figures. Supervisors and executives showed a more uniformly favourable attitude than others towards their companies, but their knowledge was not as accurate as might be expected of senior staffs, and there was need for special sessions on financial information for them.

Mr. Howard concluded his paper by giving an account of his own methods and experience. Although his was a private company, its balance sheet and profit and loss account had for several years been made available to all. A planning committee of directors, senior and junior staff, foremen, workers, and representatives of trade unions, met twice a year. It considered the distribution of the profits and made recommendations to the Board. A bonus was distributed in the form of so many days' average earnings: recommendations of workers, staff and directors usually coincided within a day or two. It was of interest that the committee accepted a tight liquid position as being an equally good reason as a low profit was for not paying a bonus. The discussion and the bonus had the inestimable merit of dispelling suspicion. The flexibility of the bonus kept it as a live incentive; a rigid scheme came to be looked on as a right.

The company disclosed figures of sales volume, costs, budgets and monthly outputs. Mr. Howard stressed again the importance of complete frankness in giving the working force confidence in the management. Without frankness it was better not to embark on disclosure and consultations at all.

The Value of Organisation and Methods

Imperial Chemical Industries Ltd. has had a separate department for organisation and methods work for twenty-eight years: its experience formed the basis of the paper by The Viscount Stopford, O.B.E., Head of the Office Administration Department of the company. He observed that there were many reasons for the large growth in recent years in the numbers of administrative and clerical workers, but sometimes staffs were increased

without justification. There was no productivity index, and office work was continually changing, particularly with the introduction of new techniques and new equipment. "Organisation and methods" was the tool of management evolved to meet these circumstances.

It required an objective and analytical approach, studying not merely physical motions but the fundamental purpose of the office, people and machines, management problems and ramifications. Those who undertook the work must have wide knowledge and experience and a spark of imagination. Yet it should not be regarded as something mysterious: the specialist could be used to advantage, but the subject was one that every manager should understand.

In his own company, the office administrative department at headquarters was the third line of approach, supporting and supplementing the work of local O. & M. units in the branches and that carried out in the office departments themselves. The head office department was responsible for research and development on new systems, techniques and office machines; dissemination of information and training courses; and investigations requiring a broader or more specialised knowledge than that of the local units, although these often co-operated in the work. Prominence was given to the human relations side: new methods were introduced gradually and any staff saved was normally absorbed by the increase in the general activity of the company. But over a period of years substantial reductions had been effected in the numbers of indoor sales and clerical staff.

Even a small office should have somebody specifically responsible for recommending improvements in procedures. A full-time specialist was probably justified when the staff exceeded 100.

A recruit to the work must have ability to mix with people at all levels and to gain their confidence, and he would need intelligence and imagination. An accountancy qualification and knowledge of statistical methods were useful, but in the main the work must be learned by experience. Many companies had training courses, but there was a need for courses in O. & M. for industry and commerce generally.

The O. & M. unit needed guidance and support within the organisation. It should report to the managing director or the director to whom the major office departments were responsible. Its work should be advisory, and its proposals should be discussed with the department head with a view to reaching agreement. Often a compromise was followed by complete acceptance of the outstanding recommendations.

Information Required by General Managements

Mr. H. L. Bingham, Head of the Managing Director's Department of Courtaulds Ltd., Coventry, presented some preliminary findings of an investigation which is being conducted under the auspices of the Joint Management Statistics Committee of the Association of Incorporated Statisticians and the British Institute of Management, under the chairmanship of Mr. John Ryan, C.B.E., M.C. The basic research is being carried out by the management economics division of the British Institute of Management. The investigation follows an earlier study by the joint committee on the structure of statistical control.

Some companies took the view that their differences from other companies were so great that no useful purpose would be served by the interchange of information on management statistics. But it was found that companies could be grouped for this purpose—not by size and by industry, but according to their policies for co-ordination of sales and production—and that interchange could usefully take place within each group. It was hoped that the investigation would provide a basis on which the British Institute of Management could build an advisory service.

Mr. Bingham then proceeded to set out the characteristics of each of six types of businesses and the kind of co-ordination information required by each. The types adopted were:

A. Long-term quantity producer.
B. Stock level producer.
C. Wide range manufacturer producing to customers' orders.
D. Specialist manufacturer producing in large quantities to customers' orders and specifications.
E. Contractor-manufacturer (capital goods).
F. General or jobbing manufacturer.

As an example, businesses of type A sold a small range of products of their own choice, design and specification, producing and determining the price in anticipation of actual orders, aiming not to hold finished stocks but to ensure that current production was currently sold or distributed—this policy being adopted in order to benefit from the economies of long-run production and purchasing. The decisions of businesses of this type on the provision and expansion of capacity were based on long-term forecasts, while decisions on quantities to be produced were based on short-term demand estimates, orders and stocks in hand, and resources available; an orderly sequence of production was obtained by special processing plant or other machinery; there was strong emphasis on sales production, particularly where the plant installed made it difficult to alter the range of models; long-term plans must ensure that capacity to be installed was in line with probable future demand.

The information required by Group A would include long-term forecasts of economic trends, demand and sales prices and other factors, based both on internal records and on outside information. For short-term planning, these businesses needed assessments of short-term demand, orders in hand, finished stocks and those in course of distribution, available capacity, labour and materials, and forecasts of working capital requirements and of cash. For co-ordination of current activities, they needed to know whether sales and production were as planned; actual against estimated costs; changes in markets; and the inflow and outflow of money.

Mr. Bingham gave the characteristics of businesses in the other groups and discussed the types of information needed by them.

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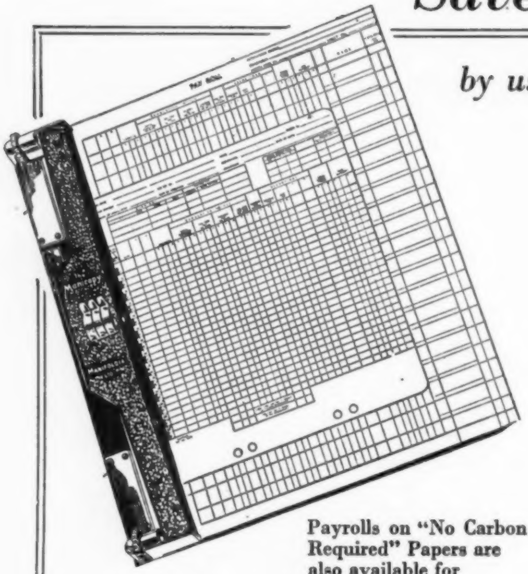

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Certain benefits under wills, in the absence of express directions, are payable free of estate duty, while certain other benefits must bear their own duty. The author discusses the position concerning benefits, both those that are free of duty and those that are not, with special reference to the funds to be resorted to for payment of debts.

Pecuniary Legacies

by George C. Mason

Order of Application

THE ORDER OF application of assets of a deceased person when the estate is solvent is regulated by Section 34 (3) of the Administration of Estates Act, 1925, and by Part II of the First Schedule of the Act. Section 34 (3) provides:

> Where the estate of a deceased person is solvent his real and personal estate shall, subject to rules of court and the provisions hereinafter contained as to charges on property of the deceased, and to the provisions, if any, contained in his will, be applicable towards the discharge of the funeral, testamentary and administration expenses, debts and liabilities payable thereout in the order mentioned in Part II of the First Schedule to this Act.

Part II of the First Schedule provides:

> *Order of application of assets where the estate is solvent.*
>
> 1. Property of the deceased undisposed of by will, subject to the retention thereout of a fund sufficient to meet any pecuniary legacies.
> 2. Property of the deceased not specifically devised or bequeathed but included (either by a specific or general description) in a residuary gift, subject to the retention out of such property of a fund sufficient to meet any pecuniary legacies, so far as not provided for as aforesaid.
> 3. Property of the deceased specifically appropriated or devised or bequeathed (either by a specific or general description) for the payment of debts.
> 4. Property of the deceased charged with, or devised or bequeathed (either by a specific or general description) subject to a charge for the payment of debts.
> 5. The fund, if any, retained to meet pecuniary legacies.
> 6. Property specifically devised or bequeathed, rateably according to value.
> 7. Property appointed by will under a general power, including the statutory power to dispose of entailed interests, rateably according to value.
> 8. The following provisions shall also apply:
>
> (*a*) The order of application may be varied by the will of the deceased.
>
> (*b*) This part of the Schedule does not affect the liability of land to answer the death duty imposed thereon in exoneration of other assets.

The foregoing order of application of assets to the discharge of debts of the deceased has never been brought into question, nor could it reasonably be. But there are doubts whether the order is appropriate to the discharge of legacies, or whether the order there applicable is the same as that which before 1926 was appropriate to the discharge of both debts and legacies.

Pre-1926 Order of Application

In order to appreciate the difficulties that have been indicated it is necessary to have regard to the pre-1926 order. It was as follows:

> 1. Undisposed of personalty, residuary personalty, personalty over which a general power of appointment has been exercised by way of a residuary clause in the will.
> 2. Realty devised for payment of debts.
> 3. Undisposed of realty.
> 4. Realty disposed of and charged with debts.
> 5. General legacies.
> 6. Uncharged devises and specific legacies.
> 7. Real property or personal property over which the deceased specifically exercised a general power of appointment.
> 8. Widow's paraphernalia.

The application of personalty in priority to realty in discharge of both legacies and debts was established in *Boughton* v. *Boughton* (1848) 1 H.L.C. 406. This was followed by *Tench* v. *Cheese* (1855), 6 De G.M. & G. 453 and by *Elliot* v. *Dearsley* (1880) 16 Ch.D. (C.A.) 322. It was, in this reference, held in *Re Boards*, *Knight* v. *Knight* (1895) Ch.D. 499, following *Greville* v. *Brown* (1859) 7 H.L.C. 689, that when a testator bequeathed legacies and then bequeathed the residue of his real and personal estate, so that the realty and personalty blended in one mass, the legacies were payable primarily out of the personalty but were charged upon the realty.

Estate Duty Contribution

The appropriate order of application of assets in discharge of pecuniary legacies is of importance not only with regard to beneficial interests but also with regard to the incidence of estate duty.

Certain variations concerning the incidence of estate duty as between realty and personalty were established for a considerable time before the Administration of Estates Act, 1925, and one of the questions to be postulated is how far this incidence has been affected by the Act.

The first point to be noted is that realty (both before 1926 and after 1925) bears its own estate duty. The second point is that estate duty on the free personalty in Great Britain is a "testamentary expense." The expression "testamentary expenses" includes all payments necessary so that probate of the will may be obtained, and accordingly comprises estate duty on the free British personalty —see *Re Clenmow, Yeo* v. *Clenmow* (1900) 2 Ch. 182 and *Re Treasure, Wild* v. *Statham,* (1900) 2 Ch. 648.

It follows from the foregoing, and from the decisions in *Re Webber, Gribble* v. *Webber* (1896) 1 Ch. 914 and in *Re Pullen, Parker* v. *Pullen* (1910) 1 Ch. 564, that when legacies are payable out of the testator's free personalty in Great Britain the duty thereon is payable out of the residuary realty and personalty of the deceased, provided this residue is sufficient. On the other hand, should it become necessary to encroach upon the realty to make up the legacies, the legatees must bear the proportion of the duty on the realty that corresponds to the amount of the realty encroached upon to make up the legacies—*Re Spencer Cooper, Poe* v. *Spencer Cooper* (1908) 1 Ch. 130.

It follows that if an encroachment is made upon the realty, the interest of a devisee would be better served if that encroachment is for legacies rather than for debts or testamentary expenses. Under the pre-1926 order, undisposed of personalty, residuary personalty and personalty over which a general power of appointment had been exercised by way of residuary clause were liable in priority for debts, funeral expenses, testamentary expenses and legacies; nevertheless, debts, funeral expenses and testamentary expenses had a priority to legacies, *Clifton* v. *Burt* (1720), I Peere Williams 678. If, therefore, the residuary personalty was not sufficient to pay debts and legacies, the realty, pursuant to the circumstances in *Greville* v. *Brown* (above) would be encroached upon, and this encroachment would more probably be for legacies than debts. Thus the realty would get the benefit of the estate duty contribution. If the effect of the 1925 Act is to vary that position there must, as a consequence, be a change in the incidence of duty.

Effect of New Order

Some of the difficulties concerning the application of the "1925 order" are illustrated in *Re Thompson* (1936) Ch. 676. In this case, the testator bequeathed an annuity of £300, pecuniary legacies amounting to £3,300, and certain plate and jewellery; then one-third of his residuary estate to a certain named charity and the remaining two-thirds thereof to another charity. The trustees were given power to make an appropriation for the annuity. The gross value of the personalty passing on the testator's death amounted to £2,459 and the realty to £13,475, the respective net amounts being £1,791 and £11,809. The annuitant required to be paid a lump sum of £1,921 in respect of the annuity and questions arose about the appropriate source for payment of legacies and about the incidence of estate duty between the real and personal estate. It was argued on behalf of the annuitant that the personalty must be exhausted in payment of legacies before recourse was made to the realty and that, accordingly, legacies were not payable *pro rata* out of realty and personalty. Clauson, J., upheld this submission, stating that the way to administer the estate was to pay the legacies out of personalty as far as that would extend before having recourse to realty, and he rejected the view that the effect of Section 34 (3) of the Administration of Estates Act was to alter the law in this respect. Its concern was solely with the way in which debts and like items were to be met.

Reference was made in the judgment to paragraph 8 (*b*) of Part II of the First Schedule to the 1925 Act which, it will be recollected, provided that the Schedule was not to affect the liability of land to answer the death duty imposed thereon in exoneration of other assets. Clauson, J., considered that even if the law concerning the application of assets in discharge of legacies had been altered, nevertheless the effect of that paragraph would be that the estate would have to be notionally administered as though the Administration of Estates Act had not been passed.

The difficulty concerning this judgment is that is does not define the relationships of debts and legacies, for Clauson, J., having held that the law concerning the application of assets in discharge of debts was altered, and the law concerning the application to the discharge of legacies was not, does not seem to have adverted upon the fact that if the order for the payment of debts was altered this must bring about an alteration in the order for payment of legacies.

The fact that in many circumstances such an alteration might have no consequences would not invalidate the fact that the law had been altered. Before 1926, debts were payable in priority to legacies out of residuary personalty. Part II of the First Schedule to the Administration of Estates Act clearly provides some amendment to this application (paragraph 1). This amendment must mean that legacies are taking a more preferential place out of the residuary personalty. If under the new order debts are payable rateably out of the realty and personalty (as is the case, though Clauson, J., did not say so) but legacies come first out of the personalty, the impact of debts upon the realty is going to be deepened. Realty bears its own estate duty, but legacies payable out of it must contribute, while debts do not. Realty is made liable to increased estate duty. Therefore, not only is the order of payment for legacies charged but the incidence of estate duty is altered.

Clauson, J., did not consider the incidence of duty to be of importance, since the residuary realty and personalty went to the same destinations. The point does not seem to meet the difficulty.

Priority of Legacies

The difficulties that were inherent in *Re Thompson* appeared in *Re Anstead, Gurney* v. *Anstead* (1943) Ch. 161, in which the prior application of personalty in discharge of legacies was upheld.

The circumstances in *Re Anstead* were that a testator gave a pecuniary legacy of £10,000 free of duty. Further legacies were of £45,000 not free of duty and of £6,000 not free of duty, payable out of residuary realty and personalty; an annuity of £600 free of tax; and right of residence in a house the upkeep of which was payable out of the estate; with gift of the ultimate residue to named beneficiaries. The value of the estate was approximately £95,000 personalty and £15,000 realty.

The personalty, after authorised appropriation for the legacy, was not sufficient to discharge the debts, including estate duty, and legacies. It was considered necessary to have recourse to the realty and a summons was taken out by the executors to determine what proportion (if any) of the estate duty on the realty was to be charged against the pecuniary legacies, other than the duty free legacy of £10,000. Uthwatt, J., upholding the prior liability of personalty for the payment of legacies, stated that the way the estate should be administered, pursuant to the Administration of Estates Act, was to set aside a fund to satisfy the pecuniary legacies that were a charge on the residuary personalty before the residuary realty. The result was, notionally, to divide the residue into two separate funds, the first to meet pecuniary legacies (for this purpose the personal estate being the primary fund) and the second, consisting of the balance of the residue including residuary real estate. In meeting the debts and testamentary expenses, the second fund was to be exhausted before the first was touched. Only if the first fund proved insufficient could there be a resort to realty.

The judgment in *Re Anstead* clearly put the pecuniary legacies as the first charge on the residuary personalty. In accordance with what has already been said, the resultant change in the incidence of estate duty brought into issue paragraph 8 (*b*) of the First Schedule (Part II) of the Administration of Estates Act, which provided that the liability of land to answer for death duty was not to be affected by the order of application created by the Schedule.

Uthwatt, J., held that this provision was not extended to guarantee that the new application would not in every case affect the incidence of estate duty. Its object was to preserve the general rules as to incidence, such as the rule that realty bears its own duty. In applying these general rules to the particular facts, regard must be had to the new order.

The prior liability of personalty to answer pecuniary legacies was upheld in *Re Beaumont* (1950) Ch. 462, in which it was decided that Section 34 (3) of the Administration of Estate Act made no change with regard to the source for the payment of legacies. In *Re Rowe* (1941) Ch. 343 the primary liability of personalty, in this respect, was upheld in terms that if the personalty was not sufficient to pay legacies recourse could not be made to the realty, as the dispositions did not come within the rule in *Greville* v. *Brown* (above).

Pro Rata Payments

The obligation of the realty, as a result of the Administration of Estates Act, to contribute *pro rata* with the personalty to the payment of legacies was, however, upheld by the Court of Appeal in *Re Worthington, Nicholls* v. *Hart* (1933) Ch. 771. In this case, a testatrix, after giving a number of pecuniary legacies, devised and bequeathed her residuary real and personal estate to two persons, one of whom predeceased her. It was held that the legacies, as well as the funeral expenses, debts and testamentary expenses, were primarily payable out of the lapsed share.

Before 1926, all these payments would have been payable out of the general residue—so here is evidence that the Court of Appeal considered that a change was made in the order of application of assets to the payment of legacies. Apart from this point, the words employed by the Court seem to be quite clear. Hanworth, M.R., said:

> Having regard to these Sections (34 & 35 A.E.A.) and the paragraph of Part II of the First Schedule which I have read (paragraph 1) is there any reason for the distinction made by Bennett, J., between debts and funeral expenses on the one hand and pecuniary legacies on the other? . . . the provisions of the statute indicate that unless there is some provision in the will which negatives the prescribed order of administration that order of administration must apply both to legacies and to debts.

Romer, L.J., said:

> Sections 33 and 34 of the Administration of Estates Act, 1925, provide that real and personal estate of a deceased person shall for the future be administered in a way materially different from what was the case before the Act, and they provide for the payment of debts, funeral and testamentary expenses and legacies in a way very different from that in use before the Act was passed.

From the foregoing it would appear that *Re Thompson, Re Rowe* and *Re Beaumont* were not correctly decided and *Re Anstead* not correctly decided in so far as it applied to the payment of legacies.

Intestacy

It is sometimes considered that *Re Worthington* is not an authority for a general rule that legacies are payable in the same order as debts. The reasons given in support of this view are mainly that the question in that case was whether legacies were payable out of a lapsed share of residue, and that this question was answered by reference to Section 33 of the Administration of Estates Act (which, it is considered, is not an authority for that rule) and that the judgment was *obiter* when by reference to Section 34 (3) it enunciated that rule.

Reference is here appropriate to certain provisions of Section 33 of the Administration of Estates Act. Having provided (sub-Section I) that on the death of a person intestate as to any real or personal property such property

should be held upon trusts for sale, sub-Section 2 proceeds:

> Out of the net money to arise from the sale and conversion of such real and personal estate (after payment of costs), and out of the ready money of the deceased (so far as not disposed of by his will, if any), the personal representative shall pay all such funeral, testamentary, and administration expenses, debts and other liabilities as are properly payable thereout having regard to the rules of administration contained in this part of this Act, and out of the residue of the said money the personal representative shall set aside a fund to provide for any pecuniary legacies bequeathed by the will (if any) of the deceased.

It does not seem that *Re Worthington* lends itself to the dissection which has been indicated. The Court clearly considered that Sections 33 and 34 of the Administration of Estates Act were relevant to each other and to the circumstances of the case. The decision was based upon the two Sections and does not warrant the inference that it was based upon one Section only.

What does not seem to have been adverted upon in *Re Worthington* is an apparent discrepancy between Section 33 (2) and paragraph 1 of Part II of the First Schedule to the Act. Both deal with property passing on intestacy, yet the priority of payments is not the same. In Section 33 (2) it is only after the payment of debts and like items that a fund is to be set aside for legacies, while the order in paragraph 1 is certainly different. If that order is taken to be the *Anstead* order, then legacies come first, while if it is taken to be the *Worthington* order the legacies and debts are payable *pro rata*. It is difficult to see how these provisions can be reconciled. It is also difficult to see how the words of Part II of the Schedule admit of legacies receiving the same treatment as debts. Nevertheless, as the law at present stands the *pro rata* treatment, as expressed in *Worthington*, must be taken to constitute the correct order.

The Court did not deal with the estate duty implications of the decision, but it is clear that they are intermediate between the pre-1926 Order and the *Anstead* order. There is, therefore, what would appear to be a conflict with paragraph 8 (*b*) (1) of the First Schedule. This conflict can be resolved only in terms of the decision of Uthwatt, J., in *Re Anstead*, in which he decided that the paragraph had only the limited effect which has previously been considered.

When the estate is solvent, the testator is naturally at liberty to vary the order of application of assets in any way he chooses. It may be observed that a gift of a legacy "the duty to be paid by the legatee" will not create an obligation on the legatee to contribute to the estate duty if on the facts it appears that the testator has some obsolescent duty such as legacy duty in mind—see *Re Rumball Dec'd. Sherlock & Ors.* v. *Allen & Ors.* (1955) 3 All E.R. 71.

Scraps of Paper

Thoughts on the Effectiveness of the New Restrictive Practices Register

by a Barrister-at-Law

THREE MEN WERE sitting informally round the dinner table, talking about nothing in particular, when the subject suddenly switched to the new Restrictive Trade Practices Act. It was really the fault of the civil servant, though he could hardly have foreseen that his random remark, which was meant merely to indicate the close of one chapter in his life, would open up a short discussion and a long series of doubts in the mind of one of his companions. "You won't see me any more in our little tax matter," he observed to the lawyer, "they have appointed me to the new Department of Restrictive Practices, so I shall be deprived of the pleasure of following our enormous dossier, built up so patiently through the months, to its logical conclusion."

"It may prove to have been all misspent energy," said his friend, "if the decision goes a certain way. But what is this new register? I haven't studied the Act at all yet."

"Well, it's a register of restrictive agreements in industry, designed largely to replace the piecemeal approach of the Monopolies Commission with a comprehensive sweep of all restrictive practices."

"What sort of agreements does it cover?"

"All agreements between people or companies carrying on trade who come to an arrangement for price regulation, or restriction of their areas of trading, or their terms and conditions for the supply of goods. We compel them to register the agreements, then we start an investigation to decide whether these are in the public interest or not. If not, the new

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"But surely you will take a sample agreement as a sort of test case, and not work rather stolidly through the lot?" asked the businessman.

"It's unfortunately a little difficult to select a representative sample of a commercial restrictive agreement."

"Well, I should have thought that if you were able to decide one point of principle then everybody else with a similar agreement would apply to have it removed from the register."

"Oh, you cannot remove an agreement from the register once it is put on."

"Your aim, then, is to compile a register of unenforceable agreements?"

"Illegal ones, yes," replied the civil servant with a smile.

"But surely, all anyone has to do is to change his agreement in the light of each published decision?"

"There are provisions for amendment."

"So there may be, but if someone tells you he is not carrying on with his agreement any more, you must make a note of that on your register? You can't do anything else about it?"

Then, if he enters into a fresh agreement, thought the businessman later, he must register that one afresh with the Registrar. The Registrar will certainly not refuse to register a new agreement, because it is his aim to collect all the agreements on his register as they are made, so that he shall have them effectively under his supervision. There is no provision in the Act for preventing people from making new restrictive agreements, except to the like effect of prohibited ones, and it rather looks as if as fast as one type is pronounced unjustifiable or illegal another type will be established by precedent and can be used in the stead of the proscribed one.

If they are going to take the agreements on their register in numerical order, the businessman mused, I think I can see agreement number one being cancelled between the parties just as soon as everything is prepared for trial. Then when a fresh agreement is registered, it will appear on the register as number umpteen thousand and one, and the trader registering it will be safe for a little while. It would be a little oppressive on the part of Authority to pursue one particular trader into all his agreements, just as soon as he makes them, simply because he happened to have registered agreement number one, and withdrew before trial. Some traders might be withdrawing merely because they could see their agreements were wrong, and Authority would not like to appear to persecute them on that account.

It is true that the Registrar may investigate an agreement after it has been modified or cancelled, and make an order to prevent the same (or any other) parties from entering into similar agreements to the like effect. Surely, though, an agreement to a different effect may still achieve the same ultimate commercial aim of keeping out competition? If a trader genuinely abandons an agreement because he knows, for instance, that it is too wide in its scope, is the Registrar to pursue that agreement for the sake of a pronouncement on all agreements to the like effect? If so, the trader must perhaps argue the case for an agreement that he knows he cannot defend, merely for the sake of keeping open his right to make some subsequent agreement to a similar effect.

There is another thing, thought the businessman. If two traders together have a monopoly and a registered agreement, they might agree to enter into an agreement for the mutual furtherance of trading interests such as might appear to be in the public interest, in the light of a decision of the Court which was just about to investigate their standing agreement. An agreement to enter into an agreement may well be registrable under the new Act (although not legally recognised as enforceable), but the Registrar could not immediately discover much about its terms any more than the parties themselves. If there is to be a vague borderline between enforceable agreements and non-enforceable agreements, it may lead to the result that each decision of the Courts automatically brings into being between the two interested parties a fresh series of negotiations to find an acceptable enforceable agreement.

It all begins to look very difficult, concluded the businessman.

ACCOUNTANT AT LARGE

The Rate for the Job

THE SEASON OF wage claims is upon us. An ancillary subject of discussion, as always, is differentials, but it seems likely that (again as always) the discussion will not prevent the increases, if they are granted, warping still further the pattern of wages as they once were.

It is not the pattern of wages only that has been distorted (at least to middle-aged eyes) in the last decade. The whole structure of payment for work done has been altered, with the cutting down of differentials still the most notable change; and the incidence of tax has carried the change still further. It is a truism to say that the post-war years have seen a peaceful revolution in Britain; but it is true also that even now most of us are hardly aware of its full extent.

The levelling process has indeed gone so far as to blunt the point of an age-old question: how much is any

particular work worth in relation to other work? But though blunted the point is still there; on occasion it even has a fresh interest, as we adjust our impressions of what is currently being paid for this or that job.The classic comparison is between the £100,000 a year of the film star and the £10,000 of the Prime Minister; and the time-hallowed reaction to the comparison is some variation at greater or less length on the theme-word "scandalous!" But there is an endless range of other comparisons, many of which provoke the same kind of horror. Comparisons of school teachers with dustmen (whom we must learn to call refuse collectors); of clergymen with the bricklayers who help to build their churches; and comparisons also within particular occupations—the engine driver and the carriage cleaner afford a dreadful example.

Some of our horror is a conservative reaction to the egalitarian revolution; some of it reflects the perpetual difficulty of comparing things that have no common denominator of any kind. If the accountant thinks the miner's pay too high the miner may ask him whether he would be prepared to work at the coal face for twice as much; but that is far from being the whole answer. If the dustman goes on strike (and what an excellent record dustmen have for doing no such thing!) we may wonder whether his work is not worth more than that of most Cabinet ministers; but again we have seized only a part of the truth, as any Cabinet minister could easily explain to us.

The judges, whose pay was so briskly debated three years ago, provide examples as good as any of the curious things that have been happening in the past half century of inflation and levelling. Their salaries were fixed in 1832 at £5,000 a year, with the idea that men who were expected to be above all possibility of corruption must be paid a salary that would make temptation impossible. At about the same period Cobbett estimated a reasonable dietary for a family of five as costing £62 a year—and the farm labourer was in fact getting 9s. a week! Eventually, over 120 years later, the judges' salaries were increased to £8,000—subject to tax at a rate beyond the wildest imaginings of men in 1832. And when that adjustment was made the minimum agricultural wage was 127s. a week (it is now 141s.).

There had been no corruption of the judiciary (nor would the new salaries do much to remove it if there had been!) for in such matters tradition is a great deal more important than money; but there have been reports that it is sometimes difficult to persuade the best men at the bar to give up the successful Q.C.'s still substantial income for the honour of becoming a judge. It is another interesting sign of our times that there is one strong monetary influence still that attracts counsel to the bench: £20,000 a year, pensionless, may on reflection seem less attractive than a pensionable £8,000.

All this merely confuses still further the tangled question: is a High Court judge worth only about twelve times the pay of a bank cashier—or six times after tax? (An entirely different meaning can be brought to the question by the simple omission of "only"). And in the last resort the question would seem to be not as shrewd as it appears at first glance. The office salary analysis commented on in our August issue (page 304) showed how absurdly high is the pay of office boys today in relation to the pay of men twice their age carrying twenty times their responsibility. Why should it be so? Obviously because it is harder to get an office boy than it is to keep a senior clerk. The same applies *mutatis mutandis* to High Court judges, bank clerks and farm labourers. Change in matters like this comes very slowly, and newly discovered needs often cannot be met in any short term, but with that proviso the community, like the individual employer, pays what it must to get the service it wants.

The community cannot normally achieve what the private employer does very often contrive—the enlightened self-interest of paying more than the minimum necessary to fill each particular post. The community—you and I—are bad employers and it would seem very likely that as democracy extends full membership of the community to a wider and wider franchise, it is getting worse rather than better: there is no possibility, short of a quite improbable counter-revolution, that the judges will ever again be made rich men in order to be sure that the people get the best judges.

If we accept supply and demand as fundamentally the only criterion of economic return then we are driven to the conclusion that all of us—film star, judge, miner, office boy and accountant—are paid just what the market calculus assesses us as worth. That may well be a sobering thought: and it is certainly to be remembered that when levellers protest against riches it is "capitalists" who are the objects of wrath, and not film stars, who are in "income brackets" so much higher than those of the capitalists. It may well be that a good majority of the electorate thinks the film stars are worth every penny of their pay.

Accountancy

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by Air

TAXATION

Company Winding-up and Reconstruction—III*

By GEORGE A. GROVE, LL.M.

Stamp Duty

32. The winding-up of a company in itself does not normally involve the payment of any *ad valorem* stamp duty, that is, a duty the amount of which depends on price or value. The fixed duties are so small that they can be ignored. If the liquidator distributes assets in specie to the members, or to a trustee or nominee for the members, even though the assets are such as to require a formal conveyance or transfer, for example, freehold or leasehold land or shares, no *ad valorem* duty is payable. (The position is, however, different if the distribution is made, not to a member himself, but to some person to whom he had given or sold his interest in the asset.) An amalgamation or reconstruction, however, involves the sale either of the shares or of the undertaking and assets of a company. In such a case the agreement usually specifies a fixed price, to be satisfied sometimes in cash but more usually by the allotment of certain shares, in which case the amount of the stamp duty will depend upon the price. If no price is stated, the consideration being the allotment of shares, the duty will depend upon the value of the shares. If the subject matter of the sale is shares of a company, as distinct from its undertaking and assets, the entire price is dutiable at the rate of £2 per cent, but if the sale is of the undertaking and assets, the price is usually apportioned between the different assets, and that part thereof attributable to chattels and other assets capable of passing by manual delivery is not dutiable. The apportionment must be a *bona fide* one based on the commercial values of the various assets. The *ad valorem* duty is chargeable on the contract of sale, except where and in so far as the subject matter thereof is shares or a legal estate in land, when it is chargeable on the transfer or conveyance.

33. Where shares in a company are sold for cash, and especially when the shares represent a controlling interest in the company, the following device is sometimes adopted with a view to the reduction of stamp duty. A contract is concluded, attracting only a stamp of 6d., or 10s. if under seal, whereby the vendor agrees to sell all the shares in the company then held by him or to which he shall become entitled by virtue of a bonus issue thereinafter mentioned at the price of £x per share and further agrees to take all steps necessary to cause the company to capitalise a stated sum for distribution amongst the members, such capitalised sum to be satisfied by paying up a prescribed number of shares and allotting them to the members or their nominees as fully paid, and finally agrees to cause all shares to which he shall become entitled by virtue of the bonus issue to be allotted to the purchaser. An illustration will show how duty is thereby saved. If A. owns 10,000 shares in a company and sells and transfers them to B. for £100,000, the stamp duty on the transfers will be £2,000. If however the company makes a bonus issue of nine for one, and A. causes his 90,000 bonus shares to be allotted to B., the purchase price of £100,000 will equal £1 per share; A. will transfer 10,000 shares to B. in consideration of £10,000, and the transfers will attract *ad valorem* duty thereon of £200; the remaining £90,000 will be paid to A. by B. for the shares allotted direct by the company to B., and no stamp duty will be payable in respect thereof.

34. If on the reconstruction of a company a person becomes entitled to the allotment of new shares, he can, by directing that those shares or some of them be allotted to some third person or persons, make a gift or settlement thereof without the payment of any *ad valorem* stamp duty. The nomination or renunciation attracts no duty, neither does the allotment. If a gift is intended, nothing more is required than an oral declaration by the donor, preferably in the presence of reliable witnesses, that he is making a gift of the shares to the allottee; this will rebut any presumption of a resulting trust in favour of the donor which might otherwise arise. If it is desired to settle the shares, it is usual for the settlor first to execute a settlement of a nominal sum of money, and then to direct that the bonus shares be allotted to the trustees of that settlement, orally declaring to them that they are to hold the bonus shares on the trusts of that settlement. In neither case should the declaration by the donor or settlor be in writing, since it would then attract *ad valorem* stamp duty. These devices, however, should not be used, or should be used only with the greatest caution, where advantage is being taken of the statutory provisions next mentioned for the reduction of stamp duty.

*A paper presented under the title *The Winding-up and Reconstruction of Companies in Relation to Taxation* at the Incorporated Accountants' Course at Gonville and Caius College, Cambridge, on September 21, 1956. The first part appeared in ACCOUNTANCY for October (pages 397–400), and the second in the November issue (pages 446–450).

35. Relief is given by Section 55 of the Finance Act, 1927, as amended, from both capital and transfer stamp duty in connection with a scheme for reconstruction or amalgamation of companies if the Commissioners are satisfied that the following conditions exist:—

(*a*) That a company with limited liability is to be registered, or that since a date in 1927 a company has been incorporated by letters patent or Act of Parliament, or that the nominal share capital of a company has been increased.

(*b*) That the company (which is referred to as "the transferee company") is to be registered or has been incorporated or has increased its capital with a view to the acquisition either of the undertaking of, or of not less than ninety per cent. of the issued share capital of, any particular existing company. The relief will not be obtainable unless it is provided by the memorandum of association of, or the letters patent or Act incorporating, the transferee company that one of the objects for which the company is established is the acquisition of the undertaking of, or shares in, the existing company, or unless it appears from the resolution, Act or other authority for the increase of the capital of the transferee company that the increase is authorised for the purpose of acquiring the undertaking of, or shares in, the existing company. Thus, to take the ordinary case, it is essential that the object or purpose, as the case may be, shall be clearly stated in the memorandum of association or the resolution increasing the capital.

(*c*) That the consideration for the acquisition (except such part thereof as consists in the transfer to or discharge by the transferee company of liabilities of the existing company) consists as to not less than ninety per cent. thereof—

(i) where an undertaking is to be acquired, in the issue of shares in the transferee company to the existing company, or to holders of shares in the existing company; or

(ii) where shares are to be acquired, in the issue of shares in the transferee company to the holders of shares in the existing company in exchange for the shares held by them in the existing company.

It will be observed that the shares must be issued to the existing company or to the holders of shares in that company; the relief is lost if the shares are issued to purchasers from or nominees of the holders of shares in that company—*Brotex Cellulose Fibres* v. *C.I.R.* [1933] 1 K.B. 158; *Murex* v. *C.I.R., ib* 173. Moreover, where it is shares that are acquired, it seems probable that the shares in the transferee company must be issued, not merely to the holders of the shares in the existing company, but also to them in the same proportions as they held their previous shares, since otherwise the new shares would not be received "in exchange for" the existing shares; where, however, it is the undertaking that is acquired it is by no means certain that, provided the new shares are allotted only to holders of shares in the existing company, they cannot by the directions of those shareholders be allotted amongst them in quite different proportions. This can be an important point; a father of advanced years with a large shareholding in the existing company might wish that some of the new shares to which he becomes entitled should be allotted to his son, who is also a shareholder of the existing company but only a small one. If this can safely be done by nomination or renunciation, there will be a considerable saving of stamp duty.

36. The relief afforded by Section 55 is twofold. First, the capital duty at the rate of 10s. per £100 ordinarily payable by the transferee company on its nominal share capital, or the increase thereof, is cancelled or reduced, because such capital or increase is treated as reduced by whichever is the less of two amounts, namely an amount equal to the amount of the share capital of the existing company, and the amount to be credited as paid up on the shares issued as consideration. Secondly, stamp duty under the heading "Conveyance or Transfer on Sale" is not chargeable on any instrument made for the purpose of or in connection with the transfer of the undertaking or shares, provided such instrument is executed within twelve months from the date of the registration of the transferee company or the date of the resolution for the increase of its capital, as the case may be, or is made in pursuance of an agreement filed with the registrar of companies within the said period of twelve months. These exemptions, however, cease to apply and the full duty becomes payable if, in a case in which shares of the transferee company have been issued to the existing company, the latter within two years ceases, otherwise than in consequence of reconstruction, amalgamation or liquidation, to be the beneficial owner of the shares so issued to it, or if, where the transferee company has acquired shares, it, within a period of two years, otherwise than as aforesaid, ceases to be the beneficial owner of the shares so acquired. This Section was considered by the Court of Appeal in *Attorney-General* v. *London Stadiums Ltd.* [1950] 1 K.B. 387, where the defendant company had been formed to acquire and amalgamate the undertakings of three other companies, which it did, fully paid shares in the defendant company being allotted to the three existing companies. All the conditions of Section 55 were complied with, and relief from duty was duly granted. But shortly afterwards each of the three companies sold some (not all) of the shares allotted to it. It was held that the benefit of the relief had been lost, and the duty had become payable to the Crown. The purpose of the Section is to facilitate, not the creation of a market in shares, but the genuine amalgamation of businesses which are to remain amalgamated for at least two years. The expression "ceases to be the beneficial owner of the shares so issued to it" does not refer to ceasing to be beneficial owner of all the shares; to cease to be such an owner of even one of the shares causes the duty to become payable.

37. Another statutory provision creating an exemption from transfer stamp duty, that is, duty under the heading "Conveyance or Transfer on Sale," is to be found in Section 42 of the Finance Act, 1930, as amended by Section 50 of the Finance Act, 1938, and is sometimes of value in connection with an amalgamation or reconstruction. The conditions necessary to ensure exemption are:

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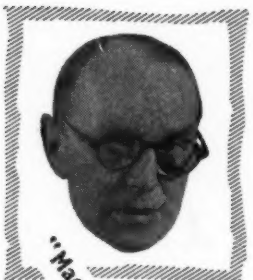

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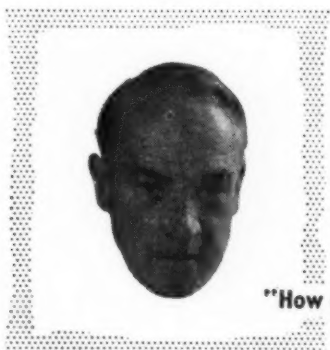

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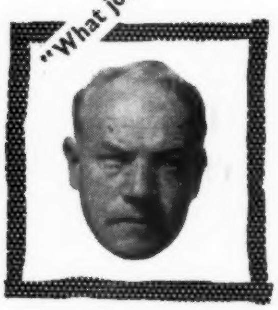

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TGA E4

(*a*) That the effect of the instrument is to convey or transfer a beneficial interest in property from one company with limited liability to another such company.

(*b*) That either—

(i) one of the companies is beneficial owner of not less than ninety per cent. of the issued share capital of the other company; or

(ii) not less than ninety per cent. of the issued share capital of the companies is in the beneficial ownership of a third company with limited liability.

(*c*) That the instrument was not executed in pursuance of or in connection with an arrangement whereunder either—

(i) the consideration for the transfer or conveyance was to be provided directly or indirectly by a person other than a company which at the time of the execution of the instrument was "associated" with either the transferor or the transferee; or

(ii) the beneficial interest in the property was previously conveyed or transferred directly or indirectly by such a person as aforesaid.

The word "associated" here requires that both companies be companies with limited liability, the shares being held as in condition (*b*) above. An instance of a case in which the exemption was lost by reason of non-compliance with condition (*c*) is to be found in *Curzon Offices Ltd.* v. *C.I.R.* [1944] 1 All E.R. 606. An interesting recent decision on condition (*c*), *Escoigne Properties Ltd.* v. *C.I.R.* [1956] 1 W.L.R. 980, is now under appeal to the Court of Appeal.

Conclusion

38. The subject of this paper is so far-reaching, and involves so many different heads of taxation, that I have necessarily had to deal in a very superficial way with a number of difficult topics. I hope, however, that I have made it clear that before embarking on the winding-up or reconstruction of any company, however small, the most careful consideration should be given to the effects thereof on all forms of taxation, and the entire transaction must be carefully tailored and timed with these considerations in mind. A method of dealing with the matter which is most beneficial in one case may be catastrophic in another. The professional advisers of the parties concerned must approach the matter with an open and flexible mind, but also with an accurate and detailed knowledge of all the relevant legal rules. These rules today are so numerous and complicated, as well as being for the most part of such recent origin, that one sometimes wonders how lawyers and accountants of even half a century ago filled their days.

(*Concluded.*)

Taxation Notes

Industrial Buildings and the "Mills, Factories Allowance"

The "mills, factories allowance" is now to be continued to 1958/59. The allowance, when available, is given in the case of mills, factories and other similar premises owned by the person carrying on a trade and occupied by him for the purposes of the trade. The tenant is treated as owner if the whole burden of depreciation of the premises falls on him; a repairing lease is not enough to qualify (*Boarland* v. *Pirie Appleton & Co.* [1940] 23 T.C. 547).

The allowance is available only if the trader was getting the mills, factories, allowance for 1945/46 in respect of the premises in question, and has not elected to transfer to claiming annual allowances. The mills, factories allowance is a benefit where the building is over fifty years old, so that annual allowances are not available. Where annual allowances are available and the mills, factories allowance exceeds the two per cent. annual allowance, its continuance accelerates but does not increase the total relief that will be obtained, since the excess of the mills, factories allowance for all years for which it has been given over what would have been the annual allowance has to be deducted, as well as notional annual allowances, in arriving at the "residue of expenditure" by reference to which balancing charges or allowances are calculated.

It is important to remember that the mills, factories allowance is given by a deduction from the profits of the basis year, e.g. if accounts are made up to December 31, the last mills, factories allowance (1958/59) will be deducted from the profits of the year to December 31, 1957.

Surtax and Investment Companies

If an investment company is under the control of five or fewer persons, Section 262 of the Income Tax Act, 1952, provides for an automatic direction that its investment income be deemed to be income of the members for surtax purposes. Unless the company has also estate or trading income that is not the subject of a direction, exemption from profits tax follows (Section 31, Finance Act, 1947).

It is found in practice that if an investment company has distributed

substantially the whole of its income, the formality of making a direction is not always observed. Nevertheless, the absence of a direction is not regarded as vitiating the exemption from profits tax.

Double Taxation—Austria

A Double Taxation Convention with the Republic of Austria provides for the avoidance of double taxation of income and profits. It was signed on July 20 and, subject to ratification, takes effect in the United Kingdom from April 6, 1956. The text is now published as a schedule to a draft Order in Council.

Profits Tax—Apportionment to Chargeable Accounting Periods

Whenever there is a change in the rate of profits tax, it is necessary to compute the profits of the accounting period, then to divide them over the chargeable accounting periods (C.A.P's.). The Acts provide that the profits are to be apportioned on a time basis (months and fractions of months), unless the Commissioners of Inland Revenue, having regard to special circumstances, otherwise direct (Section 20 (4), Finance Act, 1937). The discretion as to some other basis could be important, e.g. in a seasonal business.

In the case of gross relevant distributions, the apportionment must be on a time basis. No departure from it is provided for (Section 37, Finance Act, 1947).

There is, however, no provision for apportioning franked investment income (F.I.I.) and opinions differ as to whether the F.I.I. of each C.A.P. should be taken, or the F.I.I. of the accounting period be apportioned in the same way as profits. Apportionment on a time basis seems reasonable and would ordinarily give justice. But what if profits are apportioned on a "seasonal" basis? It does not follow that it would be reasonable to adopt a similar basis for F.I.I. Yet these are profits specifically omitted from the profits liable to profits tax; should they not, therefore, be apportioned similarly?

The difference in treatment can change the liability considerably.

Illustration (1):

Accounting year to June 30, 1956. Profits for profits tax £24,000. F.I.I. received prior to October 31, 1955, £10,000; received between that date and March 31, 1956, £3,000; received after March 31, 1956, £2,000. Gross relevant distribution (G.R.D.) £18,000.

Computation:

C.A.P.		*1.7.55–31.10.55*		*1.11.55–31.3.56*		*1.4.56–30.6.56*
		£		£		£
Profits	(4/12)	8,000	(5/12)	10,000	(3/12)	6,000
G.R.D.	(4/12)	6,000	(5/12)	7,500	(3/12)	4,500
(*a*) F.I.I. Time basis	(4/12)	5,000	(5/12)	6,250	(3/12)	3,750
(*b*) F.I.I. Actual basis		10,000		3,000		2,000

Net Relevant Distribution (N.R.D.):

	£ £	£ £	£ £
(*a*)	$\frac{8,000}{13,000}\times 6,000=3,692$	$\frac{10,000}{16,250}\times 7,500=4,615$	$\frac{6,000}{9,750}\times 4,500=2,769$
(*b*)	$\frac{8,000}{18,000}\times 6,000=2,667$	$\frac{10,000}{13,000}\times 7,500=5,769$	$\frac{6,000}{8,000}\times 4,500=3,375$

Profits Tax payable:

	£ Per cent.	£	s.	d.	£ Per cent.	£	s.	d.	£ Per cent.	£	s.	d.
(*a*)	8,000@22½	1,800	0	0	10,000@27½	2,750	0	0	6,000@30	1,800	0	0
N.R.D.	3,692				4,615				2,769			
N.D.R.	4,308@20	861	12	0	5,385@25	1,346	5	0	3,231@27	872	7	5
		938	8	0		1,403	15	0		927	12	7
(*b*)	8,000@22½	1,800	0	0	10,000@27½	2,750	0	0	6,000@30	1,800	0	0
N.R.D.	2,667				5,769				3,375			
N.D.R.	5,333@20	1,066	12	0	4,231@25	1,057	15	0	2,265@27	708	15	0
		733	8	0		1,692	5	0		1,091	5	0

Total Profits Tax: (*a*) £3,269 15 7; (*b*) £3,516 18 0.

Illustration (2):

Accounting year to October 31, 1956. Profits for profits tax £7,200. F.I.I. £4,800, all received after March 31, 1956. G.R.D. £6,600.

Computation:

C.A.P.		*1.11.55–31.3.56*		*1.4.56–31.10.56*
		£		£
Profits	(5/12)	3,000	(7/12)	4,200
G.R.D.	(5/12)	2,750	(7/12)	3,850
(*a*) F.I.I.	(5/12)	2,000		2,800
(*b*) F.I.I.		—		4,800

	£	£ Per cent.	£	s.	d.	£	£ Per cent.	£	s.	d.
(*a*)		3,000@27½	825	0	0		4,200@30	1,260	0	0
N.R.D.	$\frac{3,000}{5,000}\times 2,750$	1,650				$\frac{4,200}{7,000}\times 3,850$	2,310			
N.D.R.		1,350@25	337	10	0		1,890@27	510	6	0
			487	10	0			749	14	0

	£	£ Per cent.	£	s.	d.	£	£ Per cent.	£	s.	d.
(*b*)		3,000								
Abatement $\frac{5,000-3,000}{5}$		400								
		2,600@27½	715	0	0		4,200@30	1,260	0	0
N.R.D.	$\frac{2,600}{3,000}\times 2,750$	2,383				$\frac{4,200}{9,000}\times 3,850$	1,796			
N.D.R.		217@25	54	5	0		2,404@27	649	1	7
			660	15	0			610	18	5

Total Profits Tax: (*a*) £1,237 4 0; (*b*) £1,271 13 5

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Bank interest—Deposit account—Further sum paid in to credit of account—Whether a new source of income or an addition to a source acquired by deposit of such further sum—Income Tax Act, 1918, Schedule D, Case III—Finance Act, 1928, Section 30—Finance Act, 1951, Section 21.

Hart v. Sangster (Ch. July 3, 1956, T.R. 279) presented a legal problem not the less difficult because of its simplicity. It was, however, "front page news" owing to the immensity of the sum that gave rise to it. The respondent, a Mr. Sangster, for several years prior to 1951 had had a deposit account with a Birmingham branch of Barclays Bank. On March 16, 1951, the amount standing to his credit was £20,496. Upon the following day he had paid into the account a cheque for £2 million, and on March 30, he had withdrawn £250,000. Interest had been credited at the end of each half-year and had then become principal. The rate of interest had varied from time to time. The contractual relationship between the respondent and the bank had been the ordinary arrangement between English banks and their customers. The issue in the case was whether by virtue of the provisions of Section 30 of the Finance Act, 1926, or Section 21 of the Finance Act, 1951, the respondent had or had not acquired a new source of income or an addition to a source of income when he made the £2 million deposit. Assessments had been made upon him for the years 1951/52 and 1952/53 in £7,037 and £29,371 respectively, of which the main ingredients were the interest credited on his deposit accounts. On appeal, the Special Commissioners had reduced them to £53 and £7,032 respectively, holding that the only source of the interest was the contractual relationship that came into existence when the deposit account was first opened. Vaisey, J., reversed their decision, saying that the only strange feature of the case was the conclusion to which at the end he felt driven.

In the course of his judgment, his Lordship said that whilst both sides agreed that the source of the interest on the £2 million was to be sought and found in some contractual relationship, the Crown's contention was that it was a new relationship resulting from tender by the respondent and acceptance by the bank, and that such new relationship arose on each occasion of a new deposit. For the respondent, it was urged that there was on March 17, 1951, a "subsisting pre-existent and continuing" relationship affecting and covering whatever money was for the time being and from time to time standing on the deposit account, and that there was no need and no room for the conception of a series of contracts arising whenever a new deposit was made. His Lordship, however, held that the respondent's conception of what he might call a running contract was vitiated by the principle that a present contract to enter into a future contract or contracts was in English law no contract at all, *Von Hatzfeldt-Wildenburg* v. *Alexander* (1912, 1 Ch. 284). His decision in favour of the Crown seemed to him to be in accordance with the House of Lords' decision in *Lilley* v. *Harrison* (1952, 31 A.T.C. 365; 33 T.C. 344). Whilst in *Cull* v. *Cowcher* (1934, 13 A.T.C. 73; 18 T.C. 449), relied on by both sides, there was, he said, "nothing to disturb and perhaps something to fortify" the conclusion at which he had arrived.

There was one possible argument in the case which might have proved conclusive in favour of the Crown but which was apparently not put forward; and, if so, for a very good reason. The sum to the credit of the respondent's deposit account at March 16, 1951, was withdrawable at fourteen days' notice; and no bank would be prepared to admit the *right* of a depositor to add to such an account such a sum as £2 million. The Crown, however, was out for much bigger game, seeking to establish that all additions to deposits whether great or small fell to be regarded as involving new contracts and, therefore, new sources. It has been announced that the case is to be carried further, and its ultimate fate is uncertain. The apparently now accepted doctrine that the source of interest is only the contract and is not the subject matter is, of course, highly artificial. When *Cull* v. *Cowcher* was before the Special Commissioners, the present writer pointed out that if a man owned a house abroad—put there to avoid the Schedule A complication—and it was let on, say, a weekly tenancy, then, assuming the argument to be sound, every change of tenant brought one source to an end and another, a new one, into existence; and this argument told heavily in favour of the Revenue case.

Income Tax

Schedule A—Drainage rates based on annual value as determined for Schedule A—Assessment on new oil refinery—Appeal against assessment—Appeal undetermined—When annual value determined for purposes of drainage rates—Quarter Sessions Act, 1849, Section 11—Land Drainage Act, 1930, Sections 24, 29—Income Tax Act, 1952, Sections 6 (2), 20, 24, 33, 34, 35, 41, 51, 53, 63, 72, 84.

B.P. Refinery (Kent) Ltd. v. Kent River Board (Q.B.D. (Divisional Court) June 21, 1956, T.R. 297) afforded an interesting illustration of the way in which any alteration of long-established statutory provisions can have unforeseen and unfortunate consequences. The respondent—the Board—was a drainage board for the purposes of the Land Drainage Act, 1930, whilst the appellant was a company which had become the owner-occupier of certain land upon which it was building, and bringing into operation by stages, a great oil refinery. By Section 24 of the said Act, the Board was entitled to levy rates on the owners or occupiers of property within its drainage district, and by the same Section the rate had to be assessed upon the annual value of such property at a uniform pound rate throughout the district. By Section 29 of the same Act, "annual value" was to be "the gross annual value . . . as *determined* . . . under Schedule A," and the whole issue in the case was the meaning to be attached to the word "determined" in its context.

In the event of the annual value under Schedule A being reduced on appeal, and the drainage rate having been levied and paid upon the unreduced value, there was no provision in the 1930 Act allowing the excess to be repaid; and this fact was one of the factors in the case. The gross annual value for Schedule A of the refinery so far as then completed was £148,000 for the year 1953/54, and the Board had levied its rate upon £62,700, part of the property being outside of its district. On March

28, 1955, the Inspector of Taxes had been asked for particulars of the Schedule A assessments on the appellant company and, in reply, had stated that revised assessments had been "signed and allowed" on March 23, 1955, for the year 1954/55 in the amount of £1,140,004; and, on April 29, 1955, the Board had given notice to the company informing it that this figure had been adopted for the purposes of the drainage rate for the year to March 31, 1956, and that it had apportioned £700,000 as the annual value of the part within its district. The company, however, had not received notice of the revised Schedule A assessment for 1954/55 until May 11, 1955, and on May 16, 1955, had given notice of appeal to the Inspector. This appeal had not been decided at the date of the judgment.

On June 24, 1955, the Board, regarding the annual value as having been "determined" for the purposes of Section 29 of the Land Drainage Act, 1930, when the additional first assessment had been "signed and allowed" by the Additional Commissioners under Section 35 of the Income Tax Act, 1952, had levied a rate upon the company on the basis above-mentioned. The company had then appealed to Quarter Sessions and thence to the High Court (Divisional Court), where Donovan, J., who was on ground familiar to him, gave the judgment of the Court in a long and careful analysis of the legal position. Nevertheless, for present purposes, the substance of his judgment would seem to be sufficient, and can be stated in very few words:

> In my opinion where, as in the case, a Schedule A assessment is under appeal, so that the annual value is in dispute, it cannot be said that the annual value has been determined for the purposes of Schedule A to the Income Tax Act, 1952.

The decision, although obviously plain common sense, puts the Board into a most unfortunate position. Nevertheless, it would have been a much more serious matter had it been held otherwise. One would have thought that where the financial basis of a rate-levying authority was dependent upon the income tax value for Schedule A, any proposed changes in the latter, whether of basis or of administrative machinery, would have been jealously watched. As it is, not only do the provisions in Section 24 of the Land Drainage Act, 1930, clearly require bringing up to date, but other changes likely in the near future should be provided for as far as possible.

Stamp Duty

Stamp duty on conveyance—Freehold and leasehold properties sold to company in consideration of allotment of shares—Contract of sale but no conveyance—Death of vendor—Subsequent conveyances by personal representative to sub-purchaser, a company in which all shares owned by first company—Whether conveyances exempt from duty—Stamp Act, 1891, Sections 43, 58 (4)—Finance Act, 1930, Section 42—Finance Act, 1938, Section 50.

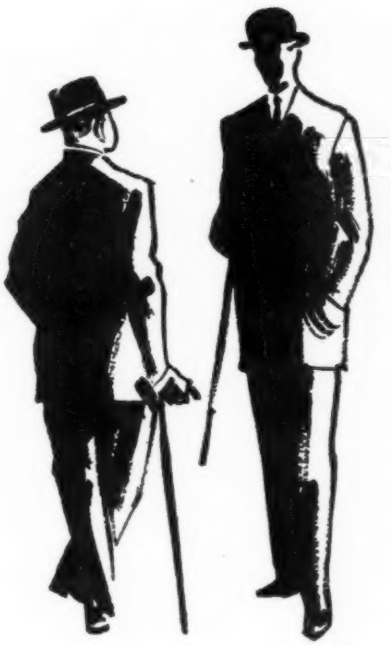
Escoigne Properties Ltd. *v.* C.I.R. (Ch. June 28, 1956, T.R. 263) was a case of avoidance of stamp duties. These duties have always been essentially voluntary in character. Unlike the position in regard to, say, income tax, there is no moral principle or legal obligation binding upon the taxpayer—using the term in its general sense—which requires him to do something. For the most part, he finds it to his interest to incur the liability rather than to suffer a more serious disadvantage. Nevertheless, it may be possible so to arrange matters that the liability is either avoided altogether or minimised without ill consequences; and there is, of course, a great deal of planning with this object. In the present case, the judgment of Vaisey, J., throws little light upon the real nature of the scheme underlying the property transactions which gave rise to the case although it shows how the liability to stamp duties was avoided. This avoidance was, of course, incidental to the scheme and not its object. It merely reduced the cost of carrying it out.

On June 30, 1950, Mr. Samuel Cohen contracted to sell certain freehold and leasehold properties to S. Cohen (Properties) Ltd. for £9,998, the consideration to be the issue to him of shares. No question arose about the stamping of that document. The shares had been duly allotted to Mr. Cohen; but there had been no conveyance or transfer. A year later, on July 2, 1951, Mr Cohen had died, with the result that the legal estate in the properties vested in his personal representatives in trust for Samuel Cohen (Properties) Ltd. both beneficially and absolutely. In 1954, a second company, Escoigne Properties, Ltd.—the name plainly a phonetic rendering of "S. Cohen"—had been formed and terms had been arranged, without any written contract, for the sale to it by the first company of the properties above-mentioned. To carry out the arrangement, five instruments of conveyance or assignment on sale had been executed; and the question to be determined was whether, in view of certain statutory provisions and of the fact that the whole of the shares in the second company were owned by the first company, *ad valorem* stamp duty was payable on the documents.

It was not disputed that they were within the definition of "conveyance on sale" in Section 54 of the Stamp Act, 1891, nor that, if liable, they were to be charged under Section 58 (4) *ad valorem* duty upon the amount of the consideration moving from the Escoigne Company as sub-purchaser. In 1930, the policy of what was then called "rationalisation" of industry — the merging of small businesses into bigger and more powerful undertakings—was politically favoured, and it was felt that one obstacle to this development, the stamp duty on conveyances, should be removed. So, by Section 42 of the Finance Act, 1930, it was enacted that, where a conveyance transferred a beneficial interest in property from one limited company to another such company, and one was beneficial owner of not less than 90 per cent. of the issued capital of the other, the stamp duty on conveyance should not be chargeable. Apparently, the exemption so given was made use of by ingenious persons for purposes not contemplated, and, by Section 50 of the Finance Act, 1938, it was provided that the relief given by the 1930 Act was not to apply unless it was shown that the conveyance was not executed in pursuance or in connection with "an arrangement" whereby:

> (*a*) . . . .
> (*b*) the beneficial interest in the property was previously convened or transferred directly or indirectly by such a person as aforesaid,

the said person being some person other than an associated company. Vaisey, J., said he could not find that any such arrangement had ever been made. There had been the preceding contracts for sale but there had been no previous conveyance or transfer of the beneficial interest in the property, either directly or indirectly, previous to the transfer by the five instruments in question. He therefore held that all five were within the 1930 exemption from *ad valorem* duty and were liable to be stamped only 10s. or nothing at all. As, since the war, there have been many cases of property schemes involving the use of two or more companies in the same ownership, it is unlikely that the Revenue will accept the present position. If the case is carried further it would seem that it is most likely to be by way of trying to give a wider meaning to "transfer."



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The Month in the City

The Morning After

In the closing days of October all sections of the market continued to sag slightly, but mainly under the threat of coming new issues. On the whole the undertone was reasonably firm. But this was the lull before the storm. The Anglo-French adventure in Egypt and, perhaps still more, the revolt and suppression of Hungary shook the investor out of any complacency he had managed to preserve. Even so, if one excepts oil shares, there was really very little evidence of alarm. In the first week the fall in the total value of all stock market securities was, probably, under three-quarters of one per cent., and in the second not much more than that figure. By that time the spate of rumours and the absence of any firm news, coupled with the fact that every section of the country was divided on the assessment of the Government's action, had induced not a slump but something like stagnation. In the third week industrial Ordinary shares fell to the lowest for more than two years, but fixed interest securities were around the level of mid-September. Meanwhile, the Departments had, before the bad news, succeeded in raising appreciably the price at which they were selling to the market, and the rate of discount had started to fall once more against the trend of rates in New York. The news sufficed to reverse the very slightly firmer tone in the Funds, but the pressure of outside demand for an ever-increasing issue of Treasury bills forced the market syndicate to increase its bid, and the rate has been fluctuating marginally just below 5 per cent.

Impact on Sterling

It would be a mistake to suppose that the willingness of the authorities to see bill rates fall arose from any satisfaction about the position of sterling or of the gold reserve. The loss of gold in October was considerable, and by the time the figure of the reserve was announced it was evident that support was being given and that more would be needed. Both the spot dollar and the transferable rate have been supported more than once, but the belief is still held that this weakness is temporary. The current account position of the United Kingdom is much improved on the year, and that of the whole sterling area is considerably better. It is believed that the current will turn in our favour before long and that the present weakness will accentuate the strength of the flow. This, however, is apart from the fact that not inconsiderable drafts will have to be made on our dollar resources to finance purchases of oil, at least unless and until America revises her opinion of the part we have played in the Middle East. Meanwhile, the realisation that we shall suffer some shortage of oil for a considerable period is, perhaps, the principal reason for the decline in industrial equities, a decline which has seemed to many to be long overdue. That there has been nothing like a landslide so far is shown by the fact that between October 19 and November 20 the falls in the indices compiled by the *Financial Times* were as follows: Government securities from 84.74 to 83.16; fixed interest from 93.09 to 93.32; industrial Ordinary from 179.7 to 167.2; and gold shares from 75.5 to 73.8. All had stood higher in the interim; the Funds have reached a new low.

New Issues

Before the trouble broke, *Esso* had underwritten an issue of £10 million 5½ per cent. first debenture stock at 97 and had announced at the same time that C.I.C. consent had been received for a further issue of £7 million. Morgan Grenfell, the issuing house, were fortunate to get this operation away as early as they did. The *Government of Australia* had much worse luck for its cash and conversion offer of just under £7 million 5½ per cent. stock 1970–72, of which 66 per cent. was left with the underwriters. This offer was immediately followed by one of £5 million of 6 per cent. unsecured loan stock by *Fisons*. This is a first instalment only and more will have to be raised later, the present intention being a "rights" issue of equity capital. The *British Oxygen* offer is announced, but that of *I.C.I.* is held up, while *John Brown* have got their money; there is a long list of other companies awaiting their turn to pass the gate. It is fortunate that personal savings seem to have increased considerably this year, but the belief of the Government that the costs of Suez and other developments will be covered, with the assistance of this extra saving, by present arrangements and without danger to the disinflationary drive seems optimistic.

Rubber Millions

It has been evident for some time that the rubber plantation industry is exceptionally well provided with cash, and that a substantial part would not be ploughed back into the existing enterprises. The *Guthrie* group, under the lead of Sir John Hay, proposed to use the surplus funds of seven of its companies to form an investment trust. This plan, which would have meant that the additions to reserves would be permanently kept out of the shareholders' hands, found only a modicum of support and has been withdrawn. No doubt a part of the attraction of the scheme from the standpoint of the Board was that it would foil the activities of those making take-over bids. It would seem to be a pity that the shares in the proposed investment trust were to be held by the companies and not distributed to their shareholders. It now remains to be seen what the next move will be.

Non-Voting Equities

The growing practice of issuing, often as free scrip but sometimes in acquisition of new properties, Ordinary shares carrying no voting rights was attacked by Sir Richard Yeabsley, the President of the Society of Incorporated Accountants, in a speech at the recent District Society dinner at Nottingham, reported on a later page of this issue. Sir Richard's onslaught was opportune and very much to the point. The issue of non-voting shares is a thoroughly undemocratic procedure, and accentuates the divorce between effective control and the provision of capital, which has long been recognised as dangerous. The matter has been brought to the fore by an article in *The Stock Exchange Journal* which betrays the highest degree of complacency on the subject. The London Exchange disclaims responsibility for the views expressed, but it will not easily escape from the charge of undue dilatoriness unless it is prepared to act. And, as Sir Richard said, responsible opinion should be roused to oppose the voteless equity. The argument usually advanced in its favour, that it protects the interests of the original owners of a family business, is of very limited application and circumstances in which the argument does hold should be covered as exceptions to the rule.

Points From Published Accounts

Well Marshalled Information

The practice of keeping the actual accounts as simple and dignified as possible is seen at its best in the accounts of *Edgar Allen.* The first two pages provide a quick reference to the principal products and subsidiary companies; the directors' report provides a succinct appreciation of the main trading features of the year; and the accounts themselves are clearly set out in bold type with a minimum of fuss and bother. It is a good practice to relegate, as Edgar Allen has done, all the detailed information, such as depreciation provided on fixed assets and a break-down of the capital reserves, to a separate notes section appended to the main accounts.

All other information is contained in the chairman's statement, which is printed in the form of a separate self-contained booklet. Here the accounts are gone through in detail for the benefit of those not accustomed to reading financial documents, and the various movements are explained. Concise information on the proportionate sales of the three main sections of the business is provided in a table, and a full review is given of the group's trading activity.

Showing the Dividend Picture

Each year the number of companies continuing to deduct dividends gross grows less. This trend is a commendable one, since, at the present high rates, taxation upon dividends has become a significant proportion of the costs of running a business. Yet there is still a lot to be said for making sure that the fact is appreciated as widely as possible, and this the general run of accounts does not do. The prevailing practice nowadays is merely to show dividends less tax. *Emu Wool,* however, has adopted the form of showing both the gross amount of the dividends paid, and the income tax due, so that the full picture may be seen. It is not quite the complete picture, for there is still profits tax to be taken into account, but at least it goes a long way towards putting things in perspective, and it does not unnecessarily clutter up the profit and loss account. Although Emu has not done so, such information could readily and with advantage be laid out in a notes section.

A Matter of Precedence

The accounts of *F. Austin* (*Leyton*) are open to a minor criticism. The transfer to Preference Stock Redemption Fund in the profit and loss account is placed after the Ordinary dividend. It should, one would think, take precedence over this: the impression given by the existing presentation is that it is a comparatively unimportant item. Perhaps the best place for the item would be adjacent to the Preference dividend, so that a reader could see at a glance the full cost of servicing the prior charge capital. This apart, the accounts are commendably clear and well laid out, with a useful distinction made between revenue reserves and the forward reserve in respect of tax on the year's profits. The tax position is not always so easily recognisable in company accounts.

With the Accounts—or Separately?

Slowly but surely, the importance of company annual reports and accounts as a medium for conveying a much wider appreciation of the activities of businesses is beginning to catch on. Each year more and more sets of accounts are published in a new and enlarged form, with illustrations, diagrams, and usually an extensive chairman's speech. The last thing anyone would want to do is to discourage this trend. But, at the same time, the very rate at which it is proceeding is in danger of creating a further problem in the increasing unwieldiness of these more comprehensive publications.

There is much to be said for the practice adopted by *British Petroleum, Shell* and a number of other companies, of publishing under separate cover the more general background information accompanying the accounts. *Oldham and Son,* the progressive battery concern, has now joined the ranks of these companies, with a pamphlet about the group describing what it does. This provides, in a handy form, a general sketch of the scope of the group as a manufacturing concern. Far too often company accounts provide little or no indication of the full range of trading activities, and Oldham is one business that would stand to lose by failure on the part of its shareholders to appreciate its very extensive interests.

The accounts themselves have not suffered through the provision of this additional information in booklet form. The balance sheets are model presentations, but it is a pity that in the profit and loss account six columns of figures have been put on one page. Multi-columnar presentation does not make for easy reading—but it has to be recognised that Oldham is giving more information than is usually found these days, when many companies have dropped a parent company profit and loss account altogether.

Accountancy

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The index to Volume 67 (January—December, 1956) will be enclosed with the January, 1957, issue of ACCOUNTANCY.

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Any missing parts should be obtained from the offices of ACCOUNTANCY at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2 and included in the parcel sent to the binders. As the cases are of a standard size, complete sets only can be bound.

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Publications

An Introduction to British Economic Statistics. By E. Devons. Pp. 255. (*Cambridge University Press:* 22s. 6d. net.)

MANY ACCOUNTANTS ARE familiar with the questionnaires for the censuses of production and distribution, if not with other government forms. In completing the forms some may have wondered what exactly was their purpose. This new book provides answers. It contains fairly detailed descriptions of the statistical information collected by government departments, explains what is done with the data and discusses how far the figures are reliable.

Professor Devons has concentrated upon economic statistics—in particular those of labour, industrial production, overseas trade, prices, and the national income.

It would be too much to say that this book is highly readable. Nonetheless, Professor Devons has succeeded, where many others have failed, in making the subject both comprehensive and tractable. There are times when the statistical innocent will have to give up: for example, the reviewer doubts whether the account of standardised death rates and comparative mortality indices would really be understood by the general reader. However, it must be borne in mind that the book was written primarily to fill a serious gap in the reading of students taking economics as a main subject.

One defect is that there is a complete absence of tables illustrating the form in which the data are published. Another weakness—one, however, that is inevitable with any publication treating a topic so subject to change—is that parts of the work will soon be outdated. There is already a brief appendix on recent developments. A.R.I.

Studies in the History of Accounting. Edited by A. C. Littleton, PH.D., and B. S. Yamey, B.COM. Pp. xi+392, with eight illustrations. (*Sweet & Maxwell:* 50s. net.)

NO DOUBT MANY readers have been caught up in the present growing interest in the mysteries of the past—possibly through watching certain television programmes!—but perhaps some accountants had not realised what scope there is in their subject for the historian and archaeologist.

This book, the third in a series of *Studies* (*Studies in Accounting*, edited by Professor Baxter, and *Studies in Costing*, edited by Professor Solomons, having already been well received) deals with topics relating to the history of accounting from the time of the Ancient Greeks ("even the Greeks had a word for it") to the present day.

The book consists of a series of articles by experts from many countries. Some of the articles had already been published elsewhere but the majority are original. The series is admirably edited and introduced by two well-known writers, A. C. Littleton (of Illinois University) and B. S. Yamey (of the London School of Economics), on behalf of the Association of University Teachers of Accounting and the American Accounting Association—a further sign of increasing Anglo-American academic co-operation.

Those readers who dislike the "article type" of book, because of its dangers of repetition and disjointedness, may rest assured that good editing has largely overcome these difficulties and there is compensation for any remaining lack of smoothness in the opportunity afforded for comparing the styles and views of many experts. Each reader will have his own views about the choice of articles presented, but certainly will not be able to criticise the editors for lack of catholicity. Articles deal, among other topics, with the difficulties caused in the development of accounting by non-Arabic numerals (both in Roman times and in 19th century Japan) and by the preponderance of barter trading and lack of reliable currency in ancient times and in the American and Australian colonial days. The history of the development of double-entry, bilateral accounts, the journal entry, the trial balance, depreciation and auditing is traced. Details and illustrations of early accounting records in several countries are given, whilst an attempt is made to assess the impact of several leading writers and accountants upon the development of accounting. (For example, "Pacioli himself wrote that he was describing Venetian practice as he found it and we now know that the practice" (of double-entry) "was probably two centuries old when he wrote his famous *Summa*.")

Perhaps this book will lead to the discovery of documents and palimpsests that will assist in filling up the missing pages in the history of accounting. It is to be hoped that a sister-book dealing with the history of cost accounting will not be long delayed.

If the cardinal sin of quoting out of context can be forgiven, perhaps one cannot sum up this book more adequately than by using the words used by one contributor when speaking about the whole subject of the history of accounting: "A few hours spent among the available early . . . accounting records is an interesting, profitable and, in some respects, chastening experience." A.S.

Tax Planning with Precedents. By D. C. Potter, LL.B., Barrister-at-Law, and H. H. Monroe, M.A., Barrister-at-Law, assisted by H. G. S. Plunkett, Barrister-at-Law. Second edition. Pp. xxvii+411 (*Sweet & Maxwell Ltd.:* 50s. net.)

IT IS NOW eighteen months since I reviewed the first edition of this book and the most genuine recommendation I can give is that it has been in constant use ever since. It is also significant that a second edition has been necessary so soon, not only to cope with the demand for the book, but also to keep up to date with our fiscal laws, which change so quickly.

A man's proper taxation liability—and indeed a family's—is the minimum that the law requires. If income and property are left in the hands they get into by the force of circumstances, then the taxation liability is almost certain not to be minimum. If it is, then it is a happy and very rare coincidence. To ameliorate this position, a scheme must be prepared and then action needs to be taken in a field of complex law, strewn with hazards cunningly placed by the Inland Revenue. Picking one's way through these hazards is hard work that requires confidence, great knowledge and practice. This book is absolutely essential to every accountant who undertakes to advise in this difficult field.

The book tackles each subject by explaining in clear, lucid and non-legal language the principles involved. It then gives precedents drawn by barristers, providing the legal requirements of any proposed action, but even these precedents are interspersed with explanations.

The practitioner who already has the first edition should be made aware of the fact that the second contains a hundred more pages, eighty further decided cases and six additional precedents. Extra or expanded subjects include secured maintenance on divorce; valuation of gifts and settled funds for estate duty purposes; the position of a spouse of the settlor as a beneficiary under a trust; the family company in

relation to estate duty; the valuation of shares; policies under the Married Women's Property Act, 1882; applications to the Court to assist in the variation of settlements; superannuation funds; and pensions under the Finance Act, 1956.

The Finance Act, 1956, did not become law in time to permit the authors to deal exhaustively with its provisions for tax relief on contributions to pensions for the self-employed and others outside pension schemes. But they have added in an appendix the terms of a funded pension scheme "for persons of a particular occupation"; the contributions to the scheme qualify for relief under the Act. This scheme will be of personal interest to many accountants. Each member of it has his own share in the fund, distinct from other members' shares, until at retirement between his sixtieth and seventieth birthdays his holding, plus its earned interest, buys him an annuity. The flexibility of the scheme and the idea of watching one's own "fund" grow appeal greatly. I am sure that accountants, before they contract with an assurance office, will wait to see whether the Society or Institute embraces this idea.

In my opinion this book is now the standard work in its field and the authors are to be congratulated in achieving that position. P.A.S.

Books Received

Co-Partnership. The Journal of the Industrial Co-Partnership Association, No. 482, September, 1955. Report of the 1955 Summer Conference — Employee Shareholding. (*Industrial Co-Partnership Association, 36 Victoria Street, London, S.W.1:* 15s. per annum, postage paid for Institutions. Single copies, 5s. net.)

The Institute of Chartered Accountants of Scotland—Official Directory, 1956. Pp. xiv+492. (*The Institute of Chartered Accountants of Scotland, 27 Queen Street, Edinburgh, 2.*)

The Scott-Watson Account Book (1 Year Edition). (*Trendell's, Ltd., 249 Burlington Road, New Malden, Surrey:* 10s. 6d. net.) This book was reviewed in ACCOUNTANCY, August, 1953, on page 270.

The New Provisions Relating to Profits Tax (As contained in the Finance (No. 2) Act, 1955, and the Finance Act, 1956). By Arthur Rez, B.COM., F.R.ECON.S., F.A.C.C.A. Pp. 11. (*Barkeley Book Co. Ltd., 39 Lansdowne Road, Stanmore, Middx.:* 2s. 6d. net.)

Chorley & Tucker's Leading Cases on Mercantile Law. Being a companion volume to Stevens' Mercantile Law. Supplement to Third Edition. By Lord Chorley, M.A., and O. C. Giles, LL.M. Pp. 20. (*Butterworth & Co. (Publishers) Ltd.:* 3s. net.)

Letters to the Editor

Reports on Accounts of Sole Traders

Sir,—Does the statement made in May, 1955, by the Institute of Chartered Accountants in England and Wales on reports on accounts of sole traders and partnerships (see ACCOUNTANCY for July, 1955, pages 243/4) mean what it says—or more—or less—or does it apply only to accounts prepared by some other fellow?

Paragraph 8 (*c*) commences "if however the records are materially inadequate." It is noted that the term "records" goes further than "books of account" in the auditor's report under the Companies Act of 1948. "Records" seems to me to embrace vouchers.

What independent record of retail takings does an unassisted sole proprietor usually have? The answer is "none." Does no record constitute an adequate record? It looks as though it must, unless most retail traders are to receive a certificate under paragraph 8 (*c*), but I do not recollect having seen any accounts certified to the effect that "the records in relation to retail takings are materially inadequate and the significance of this on the reliability of the accounts depends on the proprietor." Perhaps the Institute's statement is being ignored! Could it be that it goes too far in relation to the tuppenny ha'penny jobs to which it mainly relates? If so, those readers of accounts (the bank manager, the prospective purchaser, the Inspector of Taxes, for example) who may be under the impression that practitioners generally have adopted the advice given by the Institute, might be helped if we put up a "let the reader beware" sign. For example, there might be coupled with whatever old form of certificate we may have used the words "the recommendation of the Institute of Chartered Accountants in England and Wales on reports on accounts of sole traders have not been adopted in the form of this certificate."

Yours faithfully,
C. BELL, A.S.A.A.

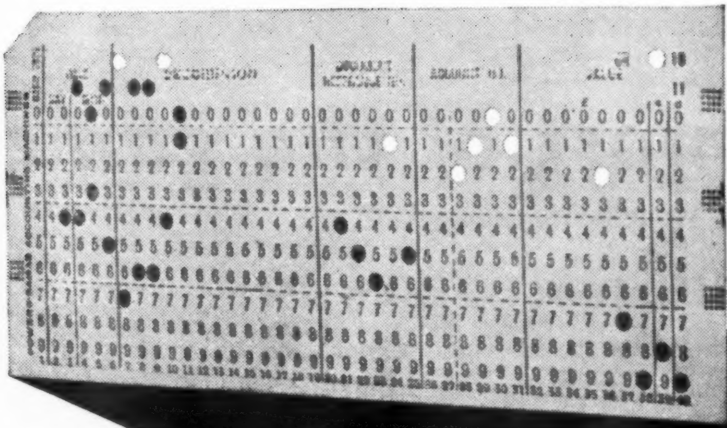
Staines,
Middlesex.

Mechanised Control Accounts

Sir,—Your correspondent on this subject in your October issue (pages 391–2) fails to distinguish between balancing for the purpose of checking the arithmetical accuracy of the ledger accounts and any statements sent out based on them, and balancing for the purpose of preparing accounts on a particular date and auditing them. He also appears to require for his checking the use of handwritten day books and detailed checking between the ledger cards and these day books. The use of the day books appears to me to nullify one of the main advantages of most mechanised accounting systems, which can manage quite well without them, while detailed checking should be unnecessary in mechanised accounting systems, errors due to mechanical faults being rather rare and discoverable by other means.

The use of a mechanised system implies a large volume of work and any attempt to find any errors by checking ledger cards with day books or other posting media is going to take a long time. Furthermore, any hold-up in posting the ledger, as suggested in the article, will result in the piling up of work and delay in sending out statements and receiving payments, seeing that in most systems the ledgers are posted and the statements prepared in one operation.

The time saved in not having to cast day-books and to check postings can be used in determining how balances are



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made up while they are being extracted. Inquiry into any irregularities thus shown will tend to reveal errors due to postings to the wrong personal account or due to any mechanical fault. This will be reinforced by comparison with suppliers' statements and queries arising from customers' remittances.

Lastly, in attempting to locate errors, your contributor does not appear to me to make adequate use of the "control cards," which are a feature of most mechanised accounting systems.

Yours faithfully,
N. A. COHEN

London, N.16.

Sir,—Mr. Cohen appears to have missed the theme of my article, perhaps because the possible errors to be traced were described by me as falling into two *main* classes only. I deliberately ignored the error of posting to an incorrect account as although there are devices to eliminate this type of error the subject is unconnected with the function of control accounts. Whatever the purpose of taking out balances, absolute arithmetical accuracy must be achieved without delay.

The first class of error with which I dealt consists of the posting of an item at a value different from that shown in the books of original entry and is traceable with the aid of the control accounts, as outlined in detail in my article. The second class represents errors in computing the running balance on one or more individual ledger cards. This second fault is caused either by incorrect pick-up and proof procedure on the part of the operator or by a mechanical failure, and can be traced only by detailed checking—unless one depends on the recipient of an incorrect statement to point out the discrepancy! Even failures of this type can be reduced with some machines by fitting live registers to pick-up, balance and proof positions, but makers discourage these additions on the grounds that they reflect on the supposed infallibility of their product.

Hand-written books were certainly not envisaged by me, as is shown by my reference to posting from original media, but I would add that most large sets of mechanised books do include a small percentage of hand-written books of original entry, if only in the form of a private journal, coded extracts from which may have to be posted by machine into the open ledgers. Mr. Cohen and I at least agree that mechanical faults are rare, but one is sufficient to require the detailed checking of a ledger.

The examination of ledger accounts from the standpoint of accountancy rather than book-keeping certainly may reveal errors, but these should be errors of policy or treatment only, all other types of inaccuracies having been prevented or rectified with the aid of control accounts in the manner discussed in my article.

Yours faithfully,
G. ANDERSON

London, S.W.5.

Readers' Points and Queries

Pension Fund—Underwriting Commission

Reader's Query.—A pension fund occasionally underwrites an issue of shares and I should be glad if you could give me some guidance on the treatment of the commission. It is, presumably, assessable under Schedule D Case VI, but is all the commission taxable or only that in respect of shares which the Fund is obliged to take up?

I believe that if the Fund ultimately sells shares it has been obliged to take up the difference between cost and selling prices can be claimed as a loss and set against taxable commission. If this is correct, must the commission be deducted from the loss? What happens if these shares are not sold and the realisable price has dropped below cost?

Reply.—The commission receivable is taxable whether or not the Fund is obliged to take up shares. Where the Fund sells the shares, any loss incurred on sale may be deducted from the commission received. If the shares are not sold, the excess of their cost over their market value at the end of a year from the date of allotment may be deducted from the commission received.

Estate Duty—Valuation of Family Home

Reader's Query. — We have just finished dealing with the estate of a deceased client, and understand from the solicitors that "the Chancellor's concession" with regard to the family home will not be granted by the District Valuer, even though all the conditions normally required in these cases were satisfied. It is understood that this is an ever-increasing practice by the Revenue.

The reasons given by the Estate Duty Office are not, to our mind, even based on practical circumstances, and of course do not take into account any humanitarian principles.

The property is a detached bungalow in a good residential area, but was built some twenty years ago under licence as a sub-standard building. It is scheduled for demolition in ten years' time. There reside the widow and three children. The value placed upon the leasehold property for estate duty purposes is £2,800, which in all the circumstances seems excessive.

Reply.—The concession applies so as to exclude from the value for estate duty purposes a sum representing the degree to which vacant possession at the date of death inflates the value more than it did before the war. It does not exclude increases in value of property due to a change in the value of money. As stated by the Government in the House of Commons on November 4, 1954, and December 20, 1954, with the reduction in the housing shortage in certain areas the concession "has nothing to operate on" when the premium for vacant possession is no higher than it was before the war.

The problem appears to be one for reference to an expert valuer. It would seem to us difficult to substantiate that vacant possession for the ten years would inflate the value of the property more than it did before the war when a much longer period was involved.

Legal Notes

Contract and Tort—

Hire Purchase

In everyday language a customer is said to buy an article on hire purchase from a retailer; but if, as is usual, the retailer does not himself finance the transaction the legal position is that the retailer sells the article to a finance company, which in turn hires out the article to the customer. The question often arises what rights the customer has against the retailer if the article proves defective.

In **Andrews v. Hopkinson** [1956] 3 W.L.R. 732, A. saw a 1934 car at a dealer's showroom. The manager said: "It's a good little bus. I would stake my life on it. You will have no trouble with it." Thereupon an agreement was made whereby H. sold the car to a finance company, and the finance company hired it to A. on ordinary hire purchase terms. In fact the steering was defective, and as a result A. had an accident in which the car was wrecked and he himself was injured. A. then claimed damage against H. for breach of warranty and for negligence.

McNair, J., held in favour of the customer on both grounds. He said that if there had been a sale from the dealer to the customer the words used would have constituted a warranty, and that the customer had acted on this warranty when he entered into the hire purchase agreement. Further, the dealer had put into circulation in the hands of his customer a car which was dangerous owing to a defect which the dealer could have discovered with reasonable diligence. It was not anticipated that there would be any examination of the car before the customer put it on the road, and therefore the dealer was liable in negligence. His Lordship also held that on either ground the customer was entitled to recover damages not only for the loss of the car but for his personal injuries.

Executorship Law and Trusts—

Payment to Infant Beneficiaries

A testator left half his residuary estate upon trust to accumulate the income thereof for the benefit of his daughter's children who should attain the age of twenty-one years or marry "and so that each child of my said daughter when he or she shall attain the age of twenty-one years or shall marry shall be entitled to be paid his or her share of the said moiety of the said share and of the accumulations of income thereof down to the date of payment." The daughter had only one child, T., who married when she was eighteen years old. The trustees of the will paid over to T. the accumulated income, for there was no doubt that, although she was still an infant, she had power to give a valid receipt for this under Section 21 of the Law of Property Act, 1925. The trustees were, however, in doubt whether they were bound or ought to pay over to her her share of the capital, and they sought directions from the Court.

In **Re Somech deceased** [1956] 3 W.L.R. 763, Upjohn, J., said it was clear law that, where a testator had given a direction that a legacy or share of residue could be paid to a person under the age of twenty-one years, for example at the age of seventeen or on marriage, the trustees might quite properly comply with that direction and would get a good discharge from the beneficiary notwithstanding infancy. But this did not mean that the trustees were bound to make the payment: they had a discretion, which in this case they had surrendered to the Court. The Court would consider in chambers whether payment would be for the benefit of the infant.

Miscellaneous—

Rights of Mortgagor's Tenant and Mortgagee

During the past few years there has been a number of decisions defining the respective rights of a mortgagee and the tenant of his mortgagor, and the latest of this line is **Barclays Bank Ltd. v. Stasek** [1956] 3 W.L.R. 760. C., the owner of a house, sublet some rooms in it to S. on a weekly tenancy which was protected under the Rent Restrictions Acts. C. then mortgaged the house to the bank under a charge containing a clause that C.'s powers of leasing and accepting surrender of leases should be exercised only with the written consent of the bank. At this stage the tenancy that had been created prior to the charge was plainly binding upon the bank. The next thing to happen was that C., without the consent of the bank, granted to S. a new tenancy of some rooms included in the old tenancy and of some rooms not so included. S. took possession of the rooms demised to him under the new tenancy, and thereupon there was as between him and C. a surrender of the old tenancy by operation of law. Some years later the bank obtained an order for possession against C., the mortgagor, and claimed possession also against S., the tenant.

S. admitted that, as his new tenancy had been granted without the bank's consent, that tenancy was not good against the bank, but he relied upon an old principle that when there is a grant of a lease that would if valid effect a surrender of an existing lease, but the second lease is not effective in law because the lessor exceeded his powers, then the surrender is ineffective and the original term remains effective. On this principle, so the tenant argued, the surrender was just as invalid against the bank as was the new tenancy, and consequently the tenant was entitled to possession of the rooms included in the first tenancy.

This argument was accepted by Danckwerts, J., and the bank's claim therefore failed. It should, however, be noted that S. was still a contractual tenant under the old tenancy when the new tenancy was created. It is possible that the result might have been different if he had then been only a statutory tenant.

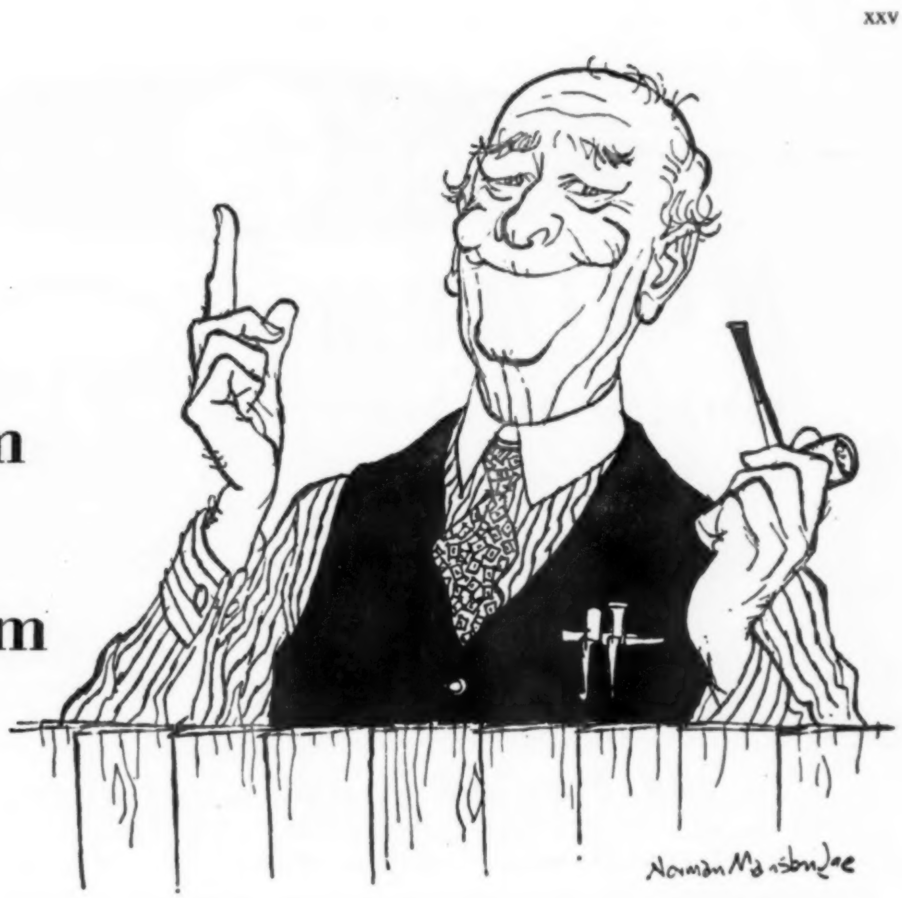
Miscellaneous—

Master's Right to Servants' Inventions

H. was employed by B.S. Ltd. as its chief technician, his duties being to take charge of design and development and to advise the company on all technical matters relating to its business. As part of its business the company manufactured syphons for soda water, and it asked H. to evolve, if he could, a plastic top for these syphons. Eventually H. did invent a suitable plastic top and there was no dispute that this invention belonged to the company and not to H. The company never asked H. for further advice about syphons, but of his own accord H. had by April, 1955, invented a "low-pressure system of soda water distribution"; he told the company nothing about this. In May, 1955, H. entered into a new contract of service which entitled him to the benefit of any future inventions; in August he applied for a patent for his invention and in September he left the service of the company and entered the employment of a rival company. B.S. Ltd. then sued for an order that H. should assign to it all his interest in the application for the patent.

In **British Syphon Co. Ltd. v. Homewood** [1956] 1 W.L.R. 1190, Roxburgh, J., said that there was no authority on the ownership of an invention made by a servant who had not been asked by his employers either to make the invention

Thrift posed a problem for Uncle Tom



He believes in saving, does Uncle Tom, and what's more he practises what he preaches. But savings have a way of growing when you keep at it. And money brings its own responsibilities, such as what best to do with accumulated capital. It's all wrong not to make it earn MORE money. Good advice from his bank manager, Mr. Shepherd, solved this little problem for Uncle Tom and now his capital is safely invested with the Co-operative Permanent and earning a steady $3\frac{1}{2}\%$ for him with the Society paying the income tax. What about withdrawal? At any time a portion or the whole can be withdrawn without delay.

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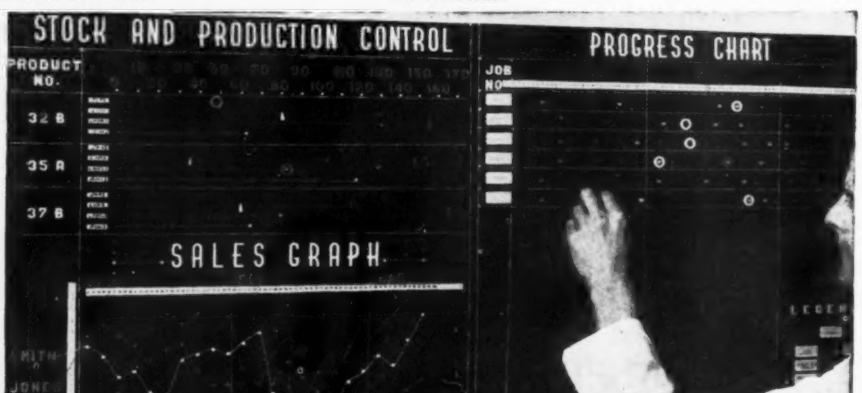

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or to give any advice in relation to the problem involved. No particular problem had been put before H., but if any such problem had been put before him it would have been his duty to be ready to tender his advice and to assist in any matter of design and development. It was not consistent with the good faith owed by a technical adviser to his employer that he should put himself in a position where he might have personal reasons for not giving the best possible advice in relation to his employer's business; still less was he entitled to invent something relating to that business and to withhold it from his employer. His Lordship accordingly granted to B.S. Ltd. the relief that it sought.

The Student's Columns

BRANCH ACCOUNTS*

THE USE OF a branch stock account was illustrated last month. In the illustration the goods sent by the head office to the branch were charged out at a fixed selling price. Sometimes, however, there may be some variability in selling price. Owing to the perishable nature of the goods the branch manager may be given a degree of latitude in the prices to be charged or other conditions may make fixed selling prices impracticable. It is then best to determine from past experience the average percentage rate of gross profit on sales of the branch and to charge the goods out at cost plus an addition equal to the percentage of expected gross profit. There will thus be provided a fairly reliable check on the sales and stock of the branch, enabling it to be controlled adequately, though less precisely than if the selling prices were fixed by head office.

A branch stock account will again be used, as in the illustration given last month. Goods will be charged out by head office at the anticipated selling price. The balance on this account, at the beginning and end of the trading period, should be the stock in hand at the price so invoiced by head office. If the profit element is deducted, the resultant figure should roughly tally with the actual stock at cost price and as shown by the normal periodical stock-taking. But an exact correspondence cannot be expected, as the percentage added to cost is at the estimated rate of gross profit and will not necessarily agree with the actual gross profit earned. But so long as the difference between the stock shown by the account and that shown by the stock-taking is within a relatively small range, it will be tolerated.

The use of a branch stock adjustment account may be desirable. This account is really a "profits suspense account"—it acts as a repository of the anticipated profits included in the stock values of the goods as charged out to the branch, and when goods are sold the profits realised on them are withdrawn from their temporary resting place in the account and put in their ultimate destination, the profit and loss account. The profits left in the branch stock adjustment account are those pertaining to the stock still on hand and deducting their total from the balance on the branch stock account will give the true stock valuation for accounting purposes. The adjustment account is in reality a trading account containing no costs, but only profits, real and anticipated. In passing, it should be noted that as the percentage added to cost is known, proper final accounts for each branch may be prepared from the records in the books of the head office—a procedure not strictly possible when the charging out of the goods to the branch is at fixed selling prices.

Consider the following examination question:

Question

A head office invoices goods to two retail branches A. and B. at cost plus 25 per cent., and the books disclose the undermentioned transactions:

	£	£ A.	£ B.
Stock at April 1, 1955 (as charged)		7,000	5,700
Goods sent to branches		31,000	33,000
Sales		33,250	36,250
Purchases by head office ..	53,600		
Head office expenses	2,700		
Branch expenses		2,790	3,248
Stock at March 31, 1956: head office	2,400		
Fixtures and fittings at cost:			
Head office	1,800		
Branches		1,400	1,600
Delivery vans at cost	2,400		

(*a*) Head office expenses are divided equally between the branches.
(*b*) Stocktaking shows a surplus of £100 in A. and a deficiency of £90 in B. at selling prices.
(*c*) A. sent goods to B. of £300 (charging out price).
(*d*) Depreciation to be charged at 10 per cent. on fixtures and fittings and 20 per cent. on vans.

Answer

The relevant accounts in the head office books would read:

A. BRANCH STOCK ACCOUNT

	£		£
To Stock b/f	7,000	By Sales	33,250
,, Goods from head office	31,000	,, Transfer to branch B.	300
,, Surplus	100	,, Stock c/d ..	4,550
	38,100		38,100

*The first part of this article appeared in our October issue (pages 464–5) and the final part will be published next month.

B. BRANCH STOCK ACCOUNT

	£		£
To Stock b/f	5,700	By Sales	36,250
,, Goods from head office	33,000	,, Deficiency.... ..	90
,, Transfer from Branch A. ..	300	,, Stock c/d ..	2,660
	39,000		39,000

A. BRANCH STOCK ADJUSTMENT ACCOUNT

	£		£
To 25 per cent. on goods transferred	60	By Balance: 25 per cent. on cost price of stock b/f ..	1,400
,, 25 per cent. on cost price of stock c/d	910	,, 25 per cent. on goods from head office	6,200
,, Profit and loss account (gross profit on sales)	6,730	,, Surplus (see stock account) ..	100
	7,700		7,700

B. BRANCH STOCK ADJUSTMENT ACCOUNT

	£		£
To Deficiency (see stock account)	90	By Balance: 25 per cent. on cost price of stock b/f	1,140
,, 25 per cent. on cost price of stock c/d	532	,, 25 per cent. on goods from head office	6,600
,, Profit and loss account (gross profit on sales)	7,178	,, 25 per cent. on goods transferred	60
	7,800		7,800

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1956

	A. £	B. £		A. £	B. £
To Branch expenses ..	2,790	3,248	By Gross profit	6,730	7,178
,, Head office expenses ..	1,350	1,350			
,, Depreciation on fixtures and fittings at branches	140	160			
,, Depreciation on fixtures and fittings at head office	90	90			
,, Depreciation on Vans ..	240	240			
,, Net profit ..	2,120	2,090			
	6,730	7,178		6,730	7,178

NOTES:

1. The credit balances on the stock adjustment account at the end of trading (£910 and £532) will be deducted from the debit balances on stock accounts of £4,550 and £2,660, in order to give the cost price of the stock for balance sheet purposes of £3,640 and £2,128.

2. The opening stocks of £7,000 and £5,700 are similarly adjusted by reference to the credit balances on the adjustment accounts of £1,400 and £1,140.

3. A charge of 25 per cent. on cost is equivalent to one of 20 per cent. on sales or charging out price.

4. The gross profits are arrived at thus:

	£	£	£
A. Sales	33,250		
20 per cent. of sales		6,650	
Surplus of Stock	100		
Cost of surplus stock (80 per cent.) ..		80	
			6,730
B. Sales	36,250		
20 per cent. of sales		7,250	
Deficiency	90		
Cost of deficiency of stock (80 per cent.)		72	
			7,178

The *cost* of the goods concerned in the surplus or deficiency is the addition to or subtraction from the actual gross profits earned.

5. It is assumed that the stock differences of £100 and £90 are normal and acceptable and therefore the effects are allowed to fall on the gross profits earned. Should the differences be abnormal in size or in cause (for example, because of loss from fire or theft), it will be necessary to credit the branch stock account with the amount at which the goods have been invoiced. The branch stock adjustment account will be debited with the expected profit included in that price, as it is necessary to withdraw from "suspense" account profits that now cannot possibly be earned. The cost of the goods lost will be taken to an account against which will be set any insurance moneys received.

6. An alternative method, by which the use of adjustment accounts is avoided, shows the figures in the stock accounts at invoice price and at cost. The figures at invoice price are for memorandum purposes only, but are useful for checking. The method enables both the nominal and actual gross profits or losses to be seen at a glance.

If this alternative method were adopted, the branch stock accounts would read:

A. BRANCH STOCK ACCOUNT

	Selling Price £	*Cost Price* £		*Selling Price* £	*Cost Price* £
To Stock b/f	7,000	5,600	By Sales ..	33,250	33,250
,, Goods ..	31,000	24,800	,, Transfer ..	300	240
,, Surplus ..	100		,, Stock c/d	4,550	3,640
,, Gross profit		6,730			
	38,100	37,130		38,100	37,130

B. BRANCH STOCK ACCOUNT

	Selling Price £	*Cost Price* £		*Selling Price* £	*Cost Price* £
To Stock b/f	5,700	4,560	By Sales ..	36,250	36,250
,, Goods ..	33,000	26,400	,, Deficiency	90	
,, Transfer	300	240	,, Stock c/d	2,660	2,128
,, Gross profit		7,178			
	39,000	38,378		39,000	38,378

(*To be concluded*)

Owing to pressure of space, it has been necessary to hold over until next month the student's article on a taxation subject.

Notices

The **Accountants' Christian Fellowship** is holding a meeting for Bible reading and prayer on December 3 at 6 p.m. at St. Mary Woolnoth Church, King William Street, London, E.C.3.

The Mansfield Law Club, City of London College, Moorgate, London, E.C.2, is holding a Moot on **The Sale of Goods** at 6 p.m. on December 6. Visitors are welcome. The chair will be occupied by the Hon. Mr. Justice McNair.

Univac Europe, claimed to be the first really large-scale computing centre in Europe, has been opened in the Battelle Institute at Frankfurt. The computer, a Remington Rand product, came from New York. It weighs twenty tons and was carried in two aeroplanes. The Battelle Institute carries out research by contract for industrial organisations, and is rapidly extending the scale of its work. All types of commercial work can be carried out by the new computer at very high speeds, and the Univac can also be of service to science—it recently performed all the calculations necessary to find the position of the eighth moon of Jupiter, of which astronomers had lost track for fourteen years!

A series of five lectures on **New Developments in Training** will be held at the Polytechnic, 309 Regent Street, London, W.1, on Thursday evenings from 6.30 to 8 p.m., beginning on January 10. Applications should be addressed to the Registrar of the Department of Management Studies, St. Katharine's House, 194 Albany Street, N.W.1. Telephone, Euston 6763. A course for senior executives on **Commercial and Industrial Forecasting** will be held at St. Katharine's House, starting on January 21 at 2 p.m., and comprising twelve meetings of three hours each. The lecturer in charge of this course is Mr. S. Barron, B.SC.(ECON.), and the fee is £1 11s.

The **Crawley Accountants' Group** has arranged the following meetings:
December 18. "Credit Facilities for Industry," by a representative of the U.D.T. group.
1957.
January 17. "Material Control." Joint meeting with the local branch of the Purchasing Officers' Association. At the Railway Hotel.
February 13. "Company Law." A list of questions for discussion will be circulated before the meeting.
March 19. "Taxation." Forum and general discussion.
April 17. Annual general meeting followed by discussion on "Co-ordination of the Profession."

Meetings will be held at the West Green Community Centre at 7.45 p.m. unless otherwise shown. Membership is restricted to members and students of the Institute of Chartered Accountants, the Society of Incorporated Accountants, the Association of Certified and Corporate Accountants, the Institute of Municipal Treasurers and Accountants and the Institute of Cost and Works Accountants. Others connected with accountancy are invited to attend meetings as guests.

Thousands of persons in factories are engaged in collecting and recording information, which often proves unreliable. **Automatic Production Recording** equipment, a new product announced by IBM United Kingdom Ltd., automatically collects data such as weight, count, length, and temperature, and feeds them to data processing machines which provide management with a running picture of current production performance. The equipment includes a range of components from which large or small systems may be built up as required.

The **Metromatic Series II electric collating machine** is claimed to halve the time spent in making up sets of papers. Sheets are stacked in trays, and depression of a foot pedal ejects the top sheet of each stock, to be gathered by hand. Standard models provide for six and eight stacks taking paper up to eleven inches wide, and twelve and sixteen stacks taking paper up to twenty-three inches wide. All thicknesses can be handled. The price of a six-stack model is £28 10s., and that of a sixteen-stack £45 10s. The machine is marketed by the Metro Duplicator Supply Co. Ltd., 57 Holborn Viaduct, London, E.C.1.

All types of registers required to be kept up to date in an office can be maintained by the **Anson Visipost** system. Each card has one cut-off corner, and the sloping edge and a vertical edge give visibility of names and details. Automatic "out" signals indicate missing cards and ensure correct replacement. A completed bank is marked by an end card; extension is easily effected by inserting a new guide spacer at any point. Slots in the base of each card fit on to rails in the tray, thus keeping records in echelons. The system is designed to provide the maximum number of visible records per square foot of floor space.

The **Twinlock sabre prong binder** is designed for quick reference to papers with a limited life, such as delivery notes and copy invoices. The mechanism allows instant insertion and removal of leaves. It also provides a half-open position, giving a flat surface for writing while overlapping prongs prevent the sheets from spilling. The covers are green with a nickel rim, and metal parts are finished in grey hammer. There are two sizes, for sheets 11 in. × 8½ in. (standard quarto) and 9⅞ in. × 9 in. (for which stock sheets in various rulings are available).

Files, correspondence trays, notebooks and other things that litter the office-worker's desk can be held out of the way but within easy reach in the **Pegatex** wallboard system, consisting of a perforated panel with slot metal fittings. The standard unit, costing about £5, includes a grey wooden panel, four feet by two feet, which is screwed to the wall, with two file holders, two correspondence tray holders, one shelf unit, one notebook holder, one phone holder, two bulldog clip hooks, and one pencil holder. It is obtainable from Adaptasign Display Products, 129 Hammersmith Road, London, W.14.

Messrs. **Thorne, Lancaster & Co.,** Chartered Accountants, London, E.C.2, announce that they have taken into partnership Mr. D. J. Pyne-Gilbert, A.C.A., and Mr. P. G. H. Evans, A.C.A. The style of the firm remains unchanged.

A one-week residential appreciation course in **Management and Productivity in Building and Civil Engineering** is to be held from December 3 to 7 by Urwick, Orr & Partners Ltd., management consultants. The course will be held in Slough. It is the outcome of a special study of the obstacles to efficient management control in building and civil engineering that result from the weather and the necessary sequence in which operations must be performed.

The London Branch of the Chartered Institute of Secretaries is holding a meeting at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2, at 6.15 p.m. on December 5. Mr. Donald E. Erlebach, F.I.C.S., F.S.F., will give a lecture on **"The Baltic Exchange."**

A **Hollerith Research Studentship** is to be established in Glasgow University for post-graduate research on a subject allied to automatic computing or the application of automatic computers to commercial or industrial accounting. The studentship is worth £350 a year and is endowed by the British Tabulating Machine Company Limited.

The Accountant Liaison Service of the National Cash Register Co. Ltd. has held at the Royal Festival Hall, London, a number of afternoon meetings, attended by accountants and others in business, on **"The Mechanisation of Payroll and Stores Records."** Short addresses, film illustrations and demonstrations with "National" class 31 accounting machines showed how accounting work in the two fields can be effectively mechanised.

Kalamazoo Ltd. are sending to all firms of Chartered and Incorporated Accountants copies of a new quarterly publication **Insight.** It seeks to provide an "inner view" of clerical organisation and methods involving forms, in small businesses as well as large.

THE SOCIETY OF Incorporated Accountants

Unworthy Means of Tax Avoidance

THE INCORPORATED ACCOUNTANTS' District Society of Liverpool held a dinner on October 26. Mr. Clifford Pearson, F.S.A.A., President of the District Society, was in the chair, and the guests included Mr. Neville Laski, Q.C., Judge of the Crown Court and Recorder of Liverpool; Mr. F. Heyworth Talbot, Q.C.; Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., President of the Society of Incorporated Accountants; the Mayor of Crosby (Councillor Frederic Hill); the Mayor of Birkenhead (Councillor W. C. Baker); Mr. T. A. Macfarlane, F.C.A., President of the Liverpool Society of Chartered Accountants; Mr. H. Clarke, F.A.C.C.A., President of the Liverpool and District Society of Certified and Corporate Accountants; and other representatives of official and professional life.

The President of the District Society, Mr. Clifford Pearson, F.S.A.A., proposed the toast of "The Future of Merseyside," coupled with the name of the Recorder of Liverpool, Mr. Neville Laski. They were honoured, he said, at having Mr. Laski with them in one of his first public appearances after his appointment.

What contribution could they make to the well-being of Merseyside? As accountants, they must equip themselves to promote the more efficient running of business—to enable management to make the correct decisions now and to plan for the future.

In the long run, well-being depended on the nature and spirit of the people. The Victorians had many solid virtues, and this generation was living on the spiritual capital they created. But business men and accountants knew that it was impossible to live on capital indefinitely. He hoped that people would learn to spend their surplus time and surplus money wisely, not neglecting the pursuit of cultured minds and enlightened spirits.

Mr. Neville Laski, Q.C., Judge of the Crown Court and Recorder of Liverpool, responded. He recalled that when he went to America with his late brother, Professor Laski, he was always introduced as his brother's brother. His early days were spent in Manchester—they all knew the old remark about Manchester men and Liverpool gentlemen.

He was appalled at the cases of violence that came before him, and he was appalled at the slums of Liverpool. Much was being done to clear the slums, but there was still much to do.

Mr. F. Heyworth Talbot, Q.C., proposed the toast of the Society of Incorporated Accountants, and coupled with it the name of his old friend Sir Richard Yeabsley, the President of the Society. He said that throughout his career, first in the Inland Revenue and since then as a barrister, he had had close relations with accountants, and on both sides of the fence he had been indebted to them.

The function of a profession was to serve mankind by helping men to realise and enjoy that fullness of life that was their birthright. That was just as true of the accountancy and legal professions as of the medical profession and the Church. Their business was not just to make money, but to contribute to the development and maintenance of an ordered life by giving men a sense of confidence and of mutual trust in their dealings with one another.

Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (President of the Society) responded. He said it was interesting to consider the differences in approach to accountants. Some found it expedient to class them as arch-conspirators in the evasion of taxes; some took a contrary and a more justifiable view, that they played a leading part in the ascertainment of income on which taxes were levied. Some recognised their great part in the operation of commerce through limited companies, while others appreciated the great services that they could and did render to management.

Sir Richard dismissed as unworthy and quite unjustified the references sometimes made to quasi-Machiavellian activities by accountants in assisting the tax dodger; but they all appreciated the great difference between tax avoidance and tax evasion. He felt that it was not worthy of them to seek out technical loopholes and advise clients to take advantage of them: they should observe the spirit as well as the letter of the law. To those who would register ships in Panama, who would live abroad for a while, or who would even live in sin to achieve a reduction in taxes, he would suggest that that might be achieved at a cost that was unworthy, and that the ultimate net benefits might well be illusory.

Their clients' interest was a major consideration to Incorporated Accountants, but they owed a duty of right conduct to themselves, to their profession and to their country.

In conclusion, he asserted that some of the tax dodging might be avoided if the taxation system were overhauled, obvious anomalies removed and the impact made more reasonable. It seemed strange that their earnings were taxed, part of their expenditure was taxed, and their savings were taxed by way of estate duty. He considered that estate duty was becoming anti-social, and its abolition should receive early consideration by the Government.

Mr. J. C. Summerskill, F.S.A.A., proposed the toast of the guests, to which a response was made by Mr. H. Clarke, President of the Liverpool and District Society of the Association of Certified and Corporate Accountants.

Accountants and Commercial Morality

THE ANNUAL DINNER of the Incorporated Accountants' North of England District Society was held in Newcastle upon Tyne on October 26. The chair was occupied by the President of the District Society, Mr. Arthur Boyd, F.S.A.A., and the company included The Rt. Hon. The Lord Mayor of Newcastle upon Tyne and the Lady Mayoress; The Rt. Hon. The Viscount Davidson, G.C.V.O., C.H., C.B., and Viscountess Davidson, G.B.E., M.P.; Sir Lawrence Edwards, O.B.E., D.L., J.P., and Lady Edwards; His Honour Judge Charlesworth, LL.D., and Mrs. Charlesworth; Mr. Edward Baldry, F.S.A.A., Vice-President of the Society of Incorporated Accountants; Mr. I. A. F. Craig, O.B.E., Secretary of the Society of Incorporated Accountants, and Mrs. Craig; and representatives of other professional bodies, commerce, and the Inland Revenue.

The Rt. Hon. Viscount Davidson, P.C., G.C.V.O., C.H., C.B., proposed the toast of the Society of Incorporated Accountants. He said it was because accountants were the shadow on the

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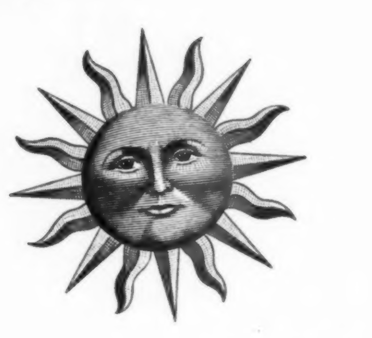

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wall to the ordinary business man that we had earned the reputation of being an honest nation. We should not, of course, be dishonest with malice aforethought, but probably because of incompetence. It was the accountants who kept us straight. He and his wife had travelled a great deal owing to the exigencies of Parliament, and it was a most surprising thing to find up and down the world that the British accountant had needled his way into foreign countries, and once there had set a standard of the best business practice in those countries.

He also noted that once it was moved that auditors be re-elected. Now they indicated that they were willing to go on. He envied them, and thought it was a wonderful position to have achieved.

Mr. Edward Baldry, F.S.A.A., Vice-President of the Society of Incorporated Accountants, replying to the toast, said he wished to boast—and he thought it was justified—that the industrial and commercial honesty of this country was the highest in the world. In the course of the last century the accountancy profession had been the conscience and moral backbone of the community.

They did have their black sheep, but on the whole the accountancy profession had lived up to its great reputation for upholding truth, and for refusing to depart from it. It was easy to depart from it. Moral problems in industry these days were not too easy. He was a little disturbed that business honesty was being undermined, partly because of the penal rate of taxation, but partly because in the application of the fiscal laws there seemed to be a growing unfairness, so the taxpayer thought. No one chose to pay high taxation if he thought he had been unjustly taxed.

Mr. Baldry recalled a recent case which involved the wife of a director travelling to Australia. The wife's expenses had been disallowed. The case was now becoming a precedent. He maintained that if a director, or a senior executive, of a large and responsible company was asked to go abroad on business and said that he was prepared to go but not unless his wife went at the expense of the company, and the directors, weighing up the pros and cons and value of the man's service, decided that the expense of sending both was well worth while, it was scandalous for the Revenue to tax this. If there was a little more understanding on the part of the officials of the Inland Revenue there would be a little more honesty in the matter of expenses.

Mr. Arthur Boyd, President of the North of England District Society, proposed the toast of the guests, and Sir Lawrence Edwards, Chairman and Managing Director of Middle Docks and Engineering Co. Ltd., South Shields, replied. Sir Laurie criticised those who decried our present position and the integrity of our people, instead of engendering a spirit of optimism, confidence and good will. He thought we could set an example at home and in our own dealings, so that there might be a basis of goodwill throughout the world. The Society itself could help in the establishment of greater goodwill and confidence.

Dinner at Incorporated Accountants' Hall

THE SOCIETY HELD a dinner at Incorporated Accountants' Hall on October 29. The President, Sir Richard Yeabsley, C.B.E., presided, and the guests included: The Rt. Hon. The Earl of Cromer, M.B.E. (managing director, Baring Brothers & Co. Ltd.); Mr. John Ryan, C.B.E. (vice-chairman, the Metal Box Co. Ltd.); Sir Nutcombe Hume, C.B.E., M.C. (chairman, Charterhouse Investment Trust Ltd.); Sir Hugh Beaver (managing director, Arthur Guinness, Son & Co. Ltd.); Sir Walter Puckey (director, British Tabulating Machine Co. Ltd.); Mr. R. J. W. Stacy, C.B. (Insurance and Companies Department, Board of Trade); Professor G. A. Grove, LL.M.; Mr. G. N. Vansittart (chairman, General Motors Ltd.); Sir Ernest Goodale, C.B.E. (chairman, Warner & Sons Ltd., and President of the British Colour Council); and Mr. Noel Hall (Principal, Administrative Staff College).

Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., President of the Society, proposed the toast of the guests. He said the Society had been honoured on past occasions by many distinguished persons, and that evening was no exception. He was doubtful how he should refer to them—as captains of industry, as merchant princes or even as kings of commerce. But they were all noted for their contributions in the field of public service. Typical in this respect was Sir Nutcombe Hume, chairman and founder of the Charterhouse group, whose financial interests and responsibilities ranged from banking and publishing to the development of colonial resources. Sir Nutcombe, with Sir Hugh Beaver, Sir Walter Puckey and Mr. John Ryan—all of whom they were delighted to welcome at the dinner—was a colleague of his own on the Council of the British Institute of Management.

Another guest, Professor Groves was in the Chambers of his old friend, the Master of the Rolls. His address at the recent Cambridge course would long be remembered by those who were privileged to hear it. Its title was "Company Winding-up and (he hastened to add) Reconstruction."

Sir Nutcombe Hume, K.B.E., M.C., replying to the toast of the guests, said that it was pleasant to have laid before them that evening the produce of a lovely autumn morning's shooting, in the delectable form of *faisan rôti*. The accounts of his group of companies were now under audit, so that some of his remarks must be reserved; until the accounts received the auditor's signature, he trembled with anxiety! With an auditor one must have all one's cards upwards on the table: one could not use with him the technique that Horatio Bottomley used when, starting negotiations with an eminent agent who was acting for a client interested in a house that Bottomley was selling, he said as his opening gambit, 'Well, I paid £16,000 for this house," to which the agent replied, "You forget that I acted for the vendor when you bought this house and you paid £10,000 for it." Quickly came the reply from Bottomley: "First trick to you, Sir John!"

There had been a great upsurge in accountancy in the last fifty years, said Sir Nutcombe; it was held in the highest esteem as an integral part of commercial life. The time was now crowding in when the dissemination of information in the form of figures was ever-important. There was in progress a welcome movement for greater informativeness in accounts, as in the publication of half-yearly figures and of turnover. Fuller disclosure fostered a better understanding of the system and helped towards making the place of profits, an essential element, more widely appreciated. He did not believe that attempts should be made to find a substitute word for "profits," which they should all be ready to recognise and accept; such substitute descriptions as "margin" and "surplus" did no good.

Sir Nutcombe said that he had himself given evidence before the Royal Commission on Taxation in the very hall in which they had just dined. He was not sure whether the lengthy labours of the Commission had a successful issue, but at least they had produced "top hats" for practising accountants!

Professor G. A. Grove, LL.M., also replying to the toast, said that he was junior counsel for the guests. But unfortunately he was not sitting behind his learned leader and could not, therefore, whisper in his ear all the things he would have liked him to say. The function of the junior was to be seen and not be heard unless his learned leader made a mess of things—but this Sir Nutcombe had not done, so that it was doubtful what was left to be said. The reason why, continued Professor Grove, he had been asked to speak must be as a counterpoise to the gentlemen from Government Departments and from the House of Commons who were present there that evening—otherwise there would have been too much statute law represented. Those who drew up statute law were determined to produce a definition of a pork sausage that even the Lord Chief Justice would not dispute. The alternative to enacted law was judge-made law, and to create judge-made law they must have litigation—which was a very good thing! What he had against gatherings of the kind they had enjoyed that evening was that they led to too many friendly settlements—and that tendency was bad, because it reduced litigation! The custom of dining together periodically was, however, good in itself; barristers had dined together for five or six centuries past—and there was nothing like five or ten years of starvation as a struggling barrister to make one appreciate these dinners.

Politics and Cricket

A LUNCHEON WAS held by the Incorporated Accountants' London and District Society on November 15. Mr. Hubert Ashton, M.C., M.A., D.L., M.P., was the guest speaker. Mr. W. J. Crafter, F.S.A.A., the chairman of the District Society, who presided, introduced Mr. Ashton as being Parliamentary Private Secretary to the Lord Privy Seal, Mr. Butler, as well as an alderman of the county of Essex and President of Essex County Cricket Club.

Mr. Ashton said that some would say there was no cricket in politics and no politics in cricket; he thought they were wrong on both counts. His experience in Parliament showed him that there was much of the spirit and practice of cricket there, and his service on cricketing committees showed that they were certainly not without their politics. When he was re-elected to Parliament in 1950, the police at the House of Commons remembered of him only that he had in the past played some cricket! Mr. Altham, the well-known author on cricket, had written that the instinct to throw and hit was the basis of man's armoury. If this was true, cricket undoubtedly had much in common with the hustings. Certainly, said Mr. Ashton, he himself had had things thrown at him at election meetings! Cricket was certainly a rather slow game—one could say that at any one time nine out of eleven men were completely unoccupied, and if one obtained two "ducks" there was certainly time for reflection. But in no other game was there so much literature, poetry and friendship. And in modern life, particularly in political life, there were, in contrast, such pace and publicity, so much danger that the machine would take charge, that there was very little time for leisure and reflection. When Ministers had no time to sit back and think, it was difficult for wisdom to be developed; instead, there was a danger of becoming taut and brittle under stress and strain.

It was a very pleasing thought that three members of the Essex county cricket team were at the moment with the M.C.C. touring South Africa—while three aldermen of the Essex County Council (their chairman Mr. Crafter, their guest Sir Frank Foster, C.B.E., J.P., and himself) were enjoying luncheon that day with the members of the London and District Society of Incorporated Accountants.

Mr. A. C. Simmonds, F.S.A.A., vice-chairman of the District Society, made a short speech of thanks to Mr. Ashton. Mr. Ashton had referred to making two "ducks" but had not disclosed that he had scored a century against the Australians.

Apathy of Shareholders

MR. N. B. WALLIS, F.S.A.A., President of the Incorporated Accountants' District Society of Nottingham, Derby and Lincoln, occupied the chair at a dinner given by the District Society on November 9. The guests included The Lord Mayor of Nottingham (Councillor W. J. Cox); Major-General Sir Edward L. Spears, Bt., K.B.E., C.B., M.C.; Sir Richard Yeabsley C.B.E., F.C.A., F.S.A.A. (President of the Society of Incorporated Accountants); the Sheriff of Nottingham (Councillor R. E. Green); the Mayor of Lincoln (Councillor C. A. Lillicrap); and others representative of civic, professional and official life in the area.

Major-General Sir Edward L. Spears, Bt., K.B.E., C.B., M.C., proposing the toast of the Society of Incorporated Accountants, stressed the importance of using figures to forecast future developments as well as in tracing past history. Accountants could do a great deal to persuade directors to present their accounts in a way readily understandable to the public, and to take their personnel more into their confidence.

Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., President of the Society of Incorporated Accountants, said that it was their privilege in the capacity of auditors to attend the annual general meetings of companies. Many of them must have been struck by the almost complete lack of interest in the proceedings, as evidenced by the very few persons entitled to attend and vote who in fact did so. It was claimed that this was a sign that shareholders were well satisfied. Indeed, the converse was often true: when there were large attendances, as there were some years ago when conditions were difficult, the opportunity was taken to criticise the directors. But often in these circumstances management had been stretched to the utmost and encouragement, not criticism, was warranted.

The current practice of circulating or publishing the chairman's speech, the more informative accounts and statements now provided to shareholders, and the excellent surveys in the daily Press and financial weeklies, were further reasons for the small attendances. What was reasonably clear was the general apathy of shareholders and their apparent display of contentment with management.

In his view this was an undesirable feature. It provided some argument in favour of the issue of Ordinary share capital without voting rights—a subject that deserved very serious consideration. It was claimed that the issue of non-voting equity shares permitted control to be retained by the founder or his family, and helped to prevent take-over bids that might not be in the best long-term interests of the business. These arguments might be valid in some instances, but they were certainly not so in others, and some of the companies concerned had grown to such a size as to render the expedient quite unnecessary. The total amount of non-voting shares issued was not large in relation to the total nominal amount of share capital quoted on the Stock Exchange, but there had been a large increase in recent years.

Sir Richard considered that the issue of non-voting Ordinary shares or stocks was contrary to the accepted right of shareholders not only to receive an account of the directors' stewardship but

to vote on their re-appointment, and to register views on and possible modify or reject any proposals by the Board which might be harmful to their interests. In comparatively rare cases the practice was justified, but shareholders and investors should review them carefully. Shareholders should accept their responsibility as owners of equity capital and not adopt the role of the sleeping partner.

Mr. P. W. Skinner, F.S.A.A., proposed the toast of the City of Nottingham.

The Lord Mayor of Nottingham (Councillor W. J. Cox), in response, said they were conscious at Guildhall of their great debt to accountants, and knew the part they were playing in the economic affairs of the city.

Mr. N. B. Wallis, President of the District Society, presented a replica of the president's badge to the immediate past President, Mr. H. F. Ingram.

Mr. J. W. Mee proposed the toast of the guests, and responses were made by the Mayor of Lincoln (Councillor C. A. Lillicrap) and Judge R. S. Nicklin.

Mr. F. A. Prior proposed the toast of the Chairman.

Events of the Month

December 3.—*Hull:* Luncheon meeting. New Manchester Hotel, at 12.50 p.m.
Ipswich: "Executorship Law and Accounts," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Lacquer Room, Oriental Café, Westgate Street, at 7 p.m.
London: "Economic Review 1946–56," by Mr. A. R. Ilersic, M.SC.(ECON.), B.COM. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

December 4.—*Carlisle:* "Company Law," by Mr. R. D. Penfold, Barrister-at-Law. County Hotel, at 6.30 p.m.

December 5.—*Bournemouth:* "Finance Act, 1956," by Mr. J. S. Heaton, F.S.A.A. St. Peter's Small Hall, Hinton Road, at 6.30 p.m.
Newcastle upon Tyne: "Statutory and Equitable Apportionments," by Mr. R. D. Penfold, Barrister-at-Law. The Library, 52 Grainger Street, at 6.15 p.m.
Sheffield: "Estate Duty," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. Grand Hotel, at 6 p.m.

December 6.—*Bristol:* "Branch Accounts," by Mr. P. E. Harris, A.S.A.A. Royal Hotel, College Green, at 6.30 p.m.
Dublin: "Schedule D Assessment," by Mr. P. A. Maguire. Students' meeting. Presbyterian Association, 16 St. Stephen's Green, at 6.15 p.m.
Grimsby: "Executorship—the Distribution of the Estate including Statutory and Equitable Apportionments," by Mr. P. E. Whitworth, B.A., Barrister-at-Law. Chamber of Commerce, 77 Victoria Street, at 7.30 p.m.
Middlesbrough: "Company Law," by Mr. R. D. Penfold, Barrister-at-Law. Café Royal, Linthorpe Road, at 6.30 p.m.
Wolverhampton: "Back Duty Investigation," by Mr. J. W. Walkden, F.C.A., F.S.A.A. Star and Garter Hotel, at 6.15 p.m.

December 7.—*Birmingham:* "Examination Notes and Trends," by Professor D. Cousins. Law Library, Temple Street, at 6.15 p.m.
Bradford: "The Auditor and Mechanised Accounting," by Mr. A. C. Simmonds, F.S.A.A. Victoria Hotel, at 6.15 p.m.
Brighton: Dinner. Royal Pavilion.
Brighton: "Standard Costing," by Mr. V. S. Hockley, B.COM., C.A. Students' meeting. Clarence Hotel, North Street, at 5 p.m.
Glasgow: "Cases I and II, Schedule 'D'," by Mr. J. D. Stewart, O.B.E., A.S.A.A. Students' meeting. Scottish College of Commerce, Pitt Street, at 6.15 p.m.
Leicester: "Making and Breaking Trusts to avoid Taxation," by Mr. G. S. A. Wheatcroft, Editor of the *British Tax Review*. Board Room, Chamber of Commerce, 3 Granby Street, at 6 p.m.
Manchester: "Economics," by Mr. A. R. Ilersic, M.SC.(ECON.), B.COM. Students' meeting. 90 Deansgate, at 6 p.m.
Norwich: Mock annual general meeting of company. Joint meeting with Cambridge Centre. Royal Hotel, at 7 p.m.
Southend: "Variances in Standard Costing," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Students' meeting. Chamber of Trade Rooms, 33 Victoria Avenue, at 7.30 p.m.
Swansea: "Current Economic Trends," by Mr. C. R. Curtis, M.SC.(ECON.), PH.D. Students' meeting. Y.M.C.A. Buildings, at 7 p.m.

December 10.—*Coventry:* Film show on Machine Accounting, given by Hollerith Accounting Machines. Pierson Hall, Y.M.C.A., The Quadrant.
London: "Changes or Developments in Law affecting Accountants," by Mr. R. D. Penfold, Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Luton: "Income Tax—Rules relating to New Business and Cessations (with reference to Capital Allowance)," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Chamber of Commerce, at 6.15 p.m.

December 11.—*Birmingham:* Luncheon. Mr. A. W. Tibbenham, A.S.A.A., A.I.M.T.A., Secretary of the South Staffordshire Waterworks Co., will speak about the company.
Leeds: Joint meeting with Inspector of Taxes Association. Top Buffet Room, Y.M.C.A., Albion Place, at 6.15 p.m.
Lincoln: "Standard Costing," by Mr. P. N. Wallis, A.S.A.A., A.C.I.S. The Great Northern Hotel, at 6.30 p.m.
Liverpool: "The Finance Act," by Mr. J. S. Heaton, F.S.A.A. Incorporated Accountants' Hall, at 5.30 p.m.

December 12—*London:* "Some Problems arising in the Installation of a Standard Cost System," introduced by Mr. R. H. A. Nutt of the Vidor group. Management Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

December 13.—*Bradford:* Students' annual dance. Gaumont Ballroom.
Carlisle: Dinner dance. Silver Grill.
Newcastle upon Tyne: Basic Principles of Punched Card Accounting, by Powers-Samas Accounting Machines Ltd. Newe Theatre Lecture Room, Pilgrim Street, at 6.15 p.m.
Sheffield: Mock company meeting. Grand Hotel, at 5.30 p.m.

December 14.—*Belfast:* Students' annual Ball. Belfast Castle.
Birmingham: "Estate Duty and Controlled Companies," by Mr. P. Shelbourne, Barrister-at-Law. Law Library, Temple Street, at 6.15 p.m.
Cambridge: "County Affairs," by Mr. C. Phythian, Clerk to Cambridge County Council. Shire Hall, at 7.15 p.m.
Manchester: "Income Tax," by Mr. N. D. B. Robinson, M.B.E., A.S.A.A. Students' meeting. 90 Deansgate, at 6 p.m.
Nottingham: "Back Duty Investigations," by Mr. J. W. Walkden, F.C.A., F.S.A.A. The Reform Club, Victoria Street, at 6.30 p.m.
Waterford: "Schedule E—Scope and Assessment," by Mr. S. Ryan, Assistant Inspector of Taxes. Students' meeting. Offices of Messrs. W. A. Deevy & Co., Broad Street, at 8 p.m.

December 19.—*Dublin:* Students' annual dance. Presbyterian Association, 16 St. Stephen's Green, at 6.15 p.m.

December 21.—*Leicester:* Students' annual dance. Grand Hotel.
Waterford: Students' debate in form of mock investigation. Offices of Messrs. W. A. Deevy & Co., Broad Street, at 8 p.m.

January 2.—*London:* Taxation Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

January 4.—*Birmingham:* "Executorship—Death Duties and Apportionments," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Law Library, Temple Street, at 6.15 p.m.
Gloucester: "Recent Case Law on Contract and Sale," by Mr. D. A. Godwin Sarre, M.A., Barrister-at-Law. Gloucester and Technical College, Brunswick Road, at 6.30 p.m.
Leeds: Dinner dance. Queen's Hotel.
Manchester: "Income Tax," by Mr. N. D. B. Robinson, M.B.E., A.S.A.A. Students' meeting. 90 Deansgate, at 6 p.m.
Norwich: Discussion: "Automation and Accountancy." Royal Hotel, at 7 p.m.

District Societies and Branches

Central African Branch

THE NEW CHAIRMAN of the Central African Branch is Mr. K. T. Wood, F.S.A.A. It is regretted that his name was incorrectly printed in our last issue.

South Wales and Monmouthshire

THE FOLLOWING OFFICERS have been elected:

President, Mr. K. G. Sim, F.S.A.A.; Vice-President, Mr. T. H. Trump, F.S.A.A.; Honorary Secretary, Mr. Tudor Davies, F.S.A.A.

Dublin Students' Society

A SUCCESSFUL REFRESHER course was held in Dublin from October 22 to 28, and was attended by 40 Final and 36 Intermediate students. Lectures were given by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A., on accounts, share valuation and capitalisation schemes, principles of costing, and group accounts; by Mr. G. L. M. Wheeler, F.C.A., A.C.I.S., on income tax, surtax and corporation profits tax; by Mr. R. I. Morrison, A.C.A., on executorship; and by Mr. L. D. McGonagle, B.A., on company law and partnership. More than 90 students attended a public lecture by Mr. Hockley on "Standard Costs."

It is hoped to hold a similar course before the May, 1957, examinations.

Incorporated Accountants' Lodge

THE INSTALLATION MEETING of the Incorporated Accountants' Lodge was held on October 23, at Freemasons' Hall, Great Queen Street, London, W.C.2. Many guests were present. W. Bro. W. F. Edwards, L.G.R., installed his successor, W. Bro. E. B. Trimmer, as W.M.

W. Bro. E. B. Trimmer invested the following officers: W. Bro. G. J. Hakim, S.W.; Bro. F. R. Marshall, J.W.; W. Bro. W. J. Crafter, Treasurer; W. Bro. A. S. Darr, Secretary; W. Bro. E. J. P. Garratt, D.C.; Bro. A. Armitt, S.D.; Bro. F. A. Roberts, J.D.; W. Bro. A. V. Hussey, A.D.C.; W. Bro. A. A. Garrett, Almoner; Bro. J. W. Pirie, I.G.; Bros. E. A. Woods, L. J. D. Jones, E. J. Morris and W. Bro. H. Rose, Stewards; W. Bro. A. C. Chitty, Tyler.

The address of the Secretary of the Lodge is 5 Forest Close, Snaresbrook, E.11.

Personal Notes

Mr. J. H. Worsley, Incorporated Accountant, Burnley, has taken into partnership his son, Mr. J. F. Worsley, A.S.A.A., and Mr. R. Boothman, A.S.A.A., both of whom have been associated with him for many years. The firm will practise under the style of Worsley & Boothman, Incorporated Accountants.

Messrs. Seeger & Knox, Incorporated Accountants, have taken into partnership Mr. W. E. Bracewell, A.S.A.A., and Mr. D. S. Sugden, A.S.A.A.

Mr. J. R. Clutterbuck, Incorporated Accountant, has taken over the practice formerly carried on by Mr. R. T. Cuff, F.C.A., at 1 Middle Temple Lane, London, E.C.4.

Mr. H. F. J. Cadwallader, F.S.A.A., Welshpool, has taken into partnership Mr. D. I. Jones, A.S.A.A., A.A.C.C.A. They are continuing to practise as Cadwallader & Co., Incorporated Accountants.

Mr. H. J. Naismith, F.S.A.A., Manchester, practising as Towers & Naismith, Incorporated Accountants, has admitted into partnership his son, Mr. Keith Naismith, B.SC., A.S.A.A., who has held the position of managing clerk for a number of years.

Messrs. James & J. H. Paterson, Greenock, intimate that Mr. J. Hawthorn Paterson, F.S.A.A., has retired from the partnership but continues to be associated with the firm in a business capacity. The practice is being continued by Mr. R. T. Henderson, C.A., under the same firm name.

Mr. B. Arion, Incorporated Accountant, has started public practice at 23 King Street, London, E.C.2, under the style of B. Arion & Co., Incorporated Accountants.

Mr. F. G. White, F.S.A.A., practising in London, S.E.13, as Armson, Ward & Co., Incorporated Accountants, announces that Mr. T. W. Keen, A.S.A.A., has joined him in partnership. The style of the firm is unchanged.

Messrs. C. C. Payne & Co., Norwich, advise that Mr. N. M. Bellamy, A.C.A., has retired from the firm. The practice is being continued under the same firm name by Mr. C. C. Payne, F.S.A.A.

Mr. Idris Wright, A.S.A.A., has been appointed secretary and accountant of F. W. Perry & Sons (Wrexham) Ltd., house furnishers, Wrexham.

Mr. Alec Gilliott, A.S.A.A., is now secretary to the Wolverhampton Metal Co. Ltd., Wednesfield, Staffs.

Messrs. Algernon Rothman & Co., Chartered Accountants and Incorporated Accountants, Winchester and Fareham, have opened an additional office at 11 Cumberland Place, Southampton.

Mr. B. E. Brayshaw, A.C.A., has taken into partnership Mr. Leslie Bray, A.S.A.A. They are practising under the style of B. E. Brayshaw at Martins Bank Chambers, Otley, Yorkshire.

Mr. J. C. Grayson, F.S.A.A., practising under the style of Batty & Co., Incorporated Accountants, has been joined in partnership by Mr. D. Bussell, M.B.E., A.S.A.A. The practice has been transferred to 18 St. Swithin's Lane, London, E.C.4. Mr. Bussell remains a partner in Messrs. Russell Tillett & Co. at the same address.

Removals

Messrs. Welford, Scott & Co., Incorporated Accountants, announce that their new address is Balfour House, Finsbury Pavement, London, E.C.2.

Messrs. R. M. Stewart & Co. have closed their office in London, E.C.2, and their address is now 8 Silver Street, Enfield, Middlesex.

Messrs. Gura, Summers & Co. have moved to Metropolitan Buildings, 63 Queen Victoria Street, London, E.C.4.

Mr. W. F. Atkinson, Incorporated Accountant, has removed his office to 12 Toward Street, Sunderland.

Mr. H. W. Pople, Incorporated Accountant, advises that his office is now at 11 Rumford Street, Liverpool, 2.

Messrs. Lyon, Griffiths & Co. announce that their address is now District Bank Chambers, The Square, Nantwich.

Obituary

Henry Edwards

WE REGRET TO report that Mr. Henry Edwards, F.S.A.A., died on September 23, at the age of seventy-four. Mr. Edwards qualified as an Incorporated Accountant in 1914. In 1921, after the death of his principal, Mr. David Roberts, F.S.A.A., Swansea, he took over the practice, shortly afterwards joining with two other members of the Society to establish the firm of Ashmole, Edwards & Goskar, Incorporated Accountants. Since his retirement in 1948 he had been living in North Devon.

He served for two years as a member of the committee of the South Wales and Monmouthshire District Society. When a separate District Society was formed in 1926 for Swansea and South-West Wales, Mr. Edwards became one of the original members of its committee, on which he continued to serve till his retirement. He held the office of Vice-President in 1928/29 and that of President in 1929/30.

Mr. Edwards was for many years associated with Swansea Chamber of Trade, holding successively the offices or president, treasurer and secretary, and when he resigned he was elected to honorary membership.

For a very long period he was treasurer and vicar's warden at St. Mary's Church, Swansea.

The funeral took place at Plymouth on September 26, and was preceded by a service in Appledore Church.

Albert Chadwick

WE RECORD WITH regret the death on October 3 of Mr. Albert Chadwick, F.S.A.A., senior partner in Messrs. E. O. Mosley & Co., Incorporated Accountants, Bury, and a past-President of the Incorporated Accountants' Society of Manchester and District.

Mr. Chadwick became a member of the Society in 1915, after taking honours in the Final Examination, and within a short period was admitted to partnership in the firm of E. O. Mosley & Co., with which he was already associated.

He served on the Committee of the District Society from 1916 to 1932, and after two years as Vice-President he was elected President for the years 1927/29 and 1928/29.

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Two shillings and sixpence per line (average seven words). Minimum ten shillings. Box numbers one shilling extra. Replies to Box Number advertisements should be addressed Box No. . . . , c/o ACCOUNTANCY, *Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.*

APPOINTMENTS VACANT

THE SOCIETY'S APPOINTMENTS REGISTER

Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar 8822.

EAST AFRICA HIGH COMMISSION
INCOME TAX DEPARTMENT
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Qualifications: At least good second-class Honours degree at a University.

Duties: Computation of Income Tax liabilities from examination of accounts and returns. Successful applicants will be required to undergo a two years' course of training in departmental work and to pass a preliminary and final examination.

Terms of Appointment: On probation for permanent and pensionable employment in salary scale £939—£1,863. Free passages. Generous leave. Income Tax at local rates.

Age limits: 22 to 26.

Particulars and application form from Director of Recruitment, COLONIAL OFFICE, S.W.1, quoting BCD.92/88/03.

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(a) Applicants *under* 26, *single*, must have a School Certificate or G.C.E. with English, Maths., and two other subjects at "O" level obtained at same examination.
Experience of audit duties, accountancy, or similar work would be an advantage.
Starting salary:
(Men) £390—£740 depending on qualifications and experience on scale rising to £1,100 per annum.
(Women) £390—£640 on scale rising to £880 per annum.

(b) Vacancies also exist for Men and Women, under 30, who are Chartered/Incorporated/Certified Accountants, graduates in Commerce and/or Accountancy, A.C.C.S. or C.I.S. Finalists.
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(Women) £550—£840 depending on qualifications and experience on scale rising to £880 per annum.

There are sufficient senior posts (up to £3,250 p.a.) filled by internal promotion to ensure good career prospects for successful applicants.

Applications forms and further details from Public Service Attaché, RHODESIA HOUSE, 429 Strand, London, W.C.2.

Closing date December 8.

FEDERATION OF MALAYA

Senior Assistant Auditor and Accountant required in Department of Co-operative Development to advise societies on keeping correct accounting and assist in training audit clerks.

Candidates, preferably under 36, must possess a recognised accountancy qualification.

Appointment on contract for three years in first instance. Salary £1,145—£2,119 plus cost of living allowance. Gratuity payable on satisfactory completion of contract.

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ACCOUNTANTS AND SENIOR ACCOUNTANTS required by NIGERIAN FEDERAL GOVERNMENT PUBLIC WORKS DEPARTMENT on contract for 12-24 months in first instance. Salary according to qualifications and experience in scales (including Inducement Addition): Accountant, £840 rising to £1,530 a year; Senior Accountant, £1,608 rising to £1,824 a year. Gratuity at rate of £100/£150 a year. Outfit allowance £60. Free passages for officer and wife. Assistance towards children's passages and grant up to £150 annually towards maintenance in U.K. Liberal leave on full salary. Candidates for Accountant (M1B/43473/AD) should have at least five years' accounting and/or auditing experience with firm of accountants, engineering contractors, Government Department or Local Authority. For Senior Accountant (M1B/43510/AD) candidates must have had not less than ten years' such experience, have held responsible positions, and be over 35 years of age. For each vacancy membership of recognised body of professional accountants an advantage. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience quoting appropriate reference number.

ACCOUNTANTS FOR WEST AFRICA: MESSRS. CASSELTON ELLIOTT & CO. have vacancies in their offices in the Gold Coast and Nigeria for qualified accountants—Chartered, Incorporated or Certified. Unqualified men with suitable professional experience would be considered. Young single men preferred as the work involves a certain amount of travelling. Commencing salary approximately £1,300 per annum according to qualifications and experience. Kit allowance £60. Car purchase assistance and adequate running allowance. Furnished quarters provided. Very low Income Tax. Tours of approximately eighteen months with generous leave on full salary on completion. Provident Fund. Apply in writing with full particulars to 4 & 6 Throgmorton Avenue, London, E.C.2.

AN AUDITOR with several years' practical experience is required for the Internal Audit Department of a trading organisation operating in British West Africa. The company's policy in the development of internal audit work is essentially constructive, and if the job is tackled in this way there will be opportunities for promotion within the group.

The commencing salary will be £1,200 per annum: free furnished accommodation is provided: first class passages to and from Africa: there is also a pension fund. Apply to Box No. 414, c/o ACCOUNTANCY.

AUDIT CLERK, Semi-Senior, required by West End firm of Chartered Accountants. Salary according to age and experience. Age 20-30. British nationality preferred. Reply stating age, experience and salary desired to Box No. 418, c/o ACCOUNTANCY.

AUDIT CLERKS. Many vacancies waiting for Senior, Semi-Senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

CHARTERED OR INCORPORATED ACCOUNTANTS (two) with suitable experience in industry or as consultants required by international firm of accountants in London for senior position in department specialising in costing, budgetary control, mechanisation and methods work. Four figure remuneration as qualifications justify will keep pace with progress. Box No. 415, c/o ACCOUNTANCY.

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(Continued on page xxxi.)

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(Continued from page xxx.)

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